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Reagan's Vision of 'Star Wars' Is Reshaping Nuclear Doctrine

By Leslie H. Gelb
New York Times Service

WASHINGTON — President Ronald Reagan's vision of defense systems to render nuclear weapons "impotent and obsolete" is moving strategic thinking and nuclear competition toward a new era.

Mr. Reagan's vision has done nothing less than to assault the core of nuclear philosophy, namely deterrence based on the threat of retaliation. He and his senior aides are saying that the 40 years of nuclear peace built on that threat cannot last and is, in any event, immoral.

Most experts say they think that perhaps decades of research will be required before they know with confidence whether the vision can be translated into workable technology.

Yet proponents and critics alike are well aware that the vision itself, along with accelerated research programs and the attending debates, is shaking the foundations of U.S. military policy — strategic doctrine, the shape of military

spending, alliance relations and arms control.

National attention is focusing more and more sharply on the plan as the two superpowers prepare to resume arms talks in Geneva on Tuesday, as current research and testing proceeds apace, as congressional debate gets under way on proposed spending for such re-

search and more and more technical and doctrinal questions emerge.

The president's ideal is a defensive system that saves lives. But the reality could be new and more powerful offensive and defensive capabilities that could be used for a decisive nuclear first strike. Thus, the debate centers on how far the reality is from the ideal: Is the president's so-called Strategic Defense Initiative, more popularly known as "star wars," well conceived to save countless lives and

enhance deterrence, or is it more likely to lead to an ever more precarious nuclear balance?

For the next five years, planned spending is about \$30 billion out of more than \$1 trillion in military budgets. If the program gathers momentum thereafter, it could become a dominant element of that budget.

Publicly, U.S. allies are supporting research. Privately, they continue to express the deepest fears that the program will bring a space arms race that will reduce or eliminate the links between U.S. security and their own.

Administration officials assert that the Strategic Defense Initiative brought the Soviet Union back to arms talks and will lead to real reductions in offensive arms. But Soviet leaders insist they will make no such reductions until the program is reined in.

And Mr. Reagan said in a recent interview that he would not limit his initiative, even if Moscow agreed to deep reductions in missiles and even if all nuclear forces were eliminated. Administration officials also say he has put aside his earlier offer to share defensive technologies with Moscow.

Publicly, the administration says the Soviet Union already has the jump in missile defense, both in a deployed anti-ballistic missile system and in development of new technologies. Indeed, no one disputes that the Russians have a small ABM system around Moscow and that the United States has not deployed a system. Privately, however, the weight of opinion in the administration is that hard U.S. knowledge of Soviet research in this area is negligible and that the United States leads in most if not all areas of research.

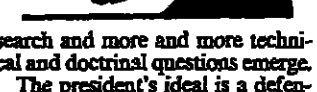
All of the agonizing decisions and judgments that will have to be made in years to come on developing and deploying a panoply of the most futuristic technologies will have to be done without ever testing them against a full-scale attack. And to fulfill their goal, as former Defense Secretary Harold S. Brown has written, they will have to work perfectly "first time."

The unanswered questions now seem legion. Has the momentum for the proposed program already made it unstoppable? What, in fact, is the Soviet technical ability? Can it ultimately be made to work? Can these defensive abilities also be used as potent offensive weapons?

What is perhaps most striking about a series of recent interviews with officials throughout the administration is that hard questions

Weapons in Space

The 'Star Wars' Controversy



Allies Appear to Temper Criticism of U.S. System

By John Vinocur
New York Times Service

PARIS — For a long time, the leading allies of the United States looked at President Ronald Reagan's Strategic Defense Initiative with reluctance, skepticism, and confusion. It was called infeasible, or a new round in the arms race, or another case of throwing technology at a problem when political ingenuity fails.

But with Tuesday's start of U.S.-Soviet arms talks in Geneva — an important time for allied solidarity — a less critical attitude toward the space-based defense system seems to be emerging.

The mocking talk of Washington's science-fiction dreams of invulnerability, going back to Mr. Reagan's announcement of the plan two years ago, is receding, replaced in Europe by discussions of the shared technology and industrial development to come out of research on the defense system.

The British, French and West German positions on the initiative known as "star wars" are increasingly similar. The allies worry about the chance that the proposed

defense system could violate the Anti-Ballistic Missile Treaty, about the plan's potentially negative effect on conventional defense in Europe, and its effects on U.S. relationships both with the allies and with the Soviet Union.

But without committing themselves to the more difficult matters of testing and deployment, the three countries have come, more or less, to accept the research phase of the missile defense program.

The support is explicit from Prime Minister Margaret Thatcher of Britain, who reiterated it in Washington last month in a speech to a joint meeting of Congress.

The research program is necessary "if we are to maintain deterrence," she said. "Indeed, I hope that our own scientists will share in this research. The United States must not fall behind the work being done by the Soviet Union."

Chancellor Helmut Kohl of West Germany has also voiced his support, although in somewhat more qualified terms.

Speaking in a Munich seminar on defense issues last month, Mr. Kohl said the program "demands

Caramanlis Resigns as President

The Associated Press

ATHENS — President Constantine Caramanlis resigned Sunday as Greece's head of state after the Socialist government refused to back him for re-election in this week's presidential balloting.

"From today I cease to exercise my duties as president of the republic and am resigning the remainder of my term, in view of developments outlined that I cannot cooperate in," Mr. Caramanlis, 78, said in a letter to the speaker of Parliament.

In a decision that took the country by surprise, Prime Minister Andreas Papandreu's governing Panhellenic Socialist Movement withheld support for the conservative president and chose a political newcomer to run for head of state. Mr. Papandreu had earlier said but he personally favored Mr. Caramanlis's re-election.

During a one-hour meeting Saturday, the central committee of Mr. Papandreu's party also voted to push through Parliament a series of constitutional amendments to curtail the president's executive authority, opening the way for the



Constantine Caramanlis

prime minister to assume more power.

The Socialists' 140-member central committee voted unanimously Saturday in favor of backing Christos Sartzetakis, 56, a Supreme Court judge, for the presidency.

The action was seen as a step to the left.

Under the constitution, the speaker, Yiannis Alevras, a Socialist deputy, succeeds Mr. Caramanlis and becomes interim president.

French Right Takes Lead in Local Voting

By Joseph Fitchett
International Herald Tribune

PARIS — France's governing Socialist Party ran far behind conservative political parties in nationwide local elections Sunday. Initial computer projections showed conservative parties winning nearly 60 percent of the vote.

The outcome of the vote, which is the last major ballot before national parliamentary elections next year, confirmed the rightist swing in polls and local elections since President François Mitterrand led the Socialists to victory in presidential and parliamentary elections in 1981.

The vote, while strongly influenced by local issues in some constituencies, was widely seen as a test of the popularity of national political parties. Half of France's local districts were up for re-election.

Leaders of the Socialist Party, faced with forecasts of heavy losses, said in advance that they expected the elections to be in part a protest vote against their economic austerity policies. By next



Officials examine the wreckage of one of the vehicles destroyed in the car bombing near the Israeli-Lebanon border, top, and the crater the explosion made. The chief of staff, Lieutenant General Moshe Levy is at right; Defense Minister Yitzhak Rabin, is opposite him, in long coat. Military censors blacked out the face of the man near Mr. Rabin.

Explosion Kills 9 Israeli Soldiers In Convoy Near Lebanon Border

Compiled by Our Staff From Dispatches

BEIRUT — A car laden with explosives was driven into an Israeli convoy at the Lebanese-Israeli border Sunday and blown up in what was said to be retaliation for the explosion Friday near a West Beirut mosque that killed 75 people. Military sources in Israel said nine Israeli soldiers were killed and 11 were wounded.

Lebanon's state radio put casualties at 12 Israelis dead and 20 injured.

An anonymous caller to a leftist Lebanese radio station, Voice of Arab Lebanon, about an hour after the explosion said the car bomb was driven by a member of the Lebanese "National Resistance" in retaliation for the Beirut car bombing.

Lebanese officials and Shiite Muslim leaders have blamed Israel for the Beirut bombing. The Israelis have denied the charge.

The Christian-owned Voice of Lebanon said the incident occurred about 3 P.M. near the Lebanese town of Khiam, just north of the Israeli border town of Metulla.

It said the driver of the car was killed instantly. The Israeli Army sealed off the area immediately, the report added.

It was the worst attack on Isra-

el's occupation force in southern Lebanon since Nov. 4, 1983, when 28 Israeli servicemen and 35 Lebanese and Palestinians were killed by a suicide car-bomber.

The explosion occurred near a gate between Israel and Lebanon at the same place where two Israeli soldiers were killed in an explosion on Feb. 10, the military command in Tel Aviv said.

Military sources said Israeli troops were "relatively relaxed" in the area, which they regarded as "safe" compared with the area farther north where they are the targets to almost daily attacks from Shiite Muslim guerrillas.

Lebanon's minister for southern Lebanon, Nabih Berri, said on Feb. 6 that his Shiite Amal militia had 48 suicide drivers ready to attack Israel's estimated 10,000 troops in southern Lebanon.

Aina Belsky, manager of Metulla's Aramin Hotel, near the explosion site, said in a telephone interview, "The explosion was terrifying. There was a giant fire and then black smoke shot up."

Prime Minister Shimon Peres was quoted as telling a meeting in Jerusalem of women from B'nai B'rith: "We had a very bad day today. Nine of our soldiers were killed."

The Lebanese state-run radio quoted police and other sources as saying that a Mercedes-Benz car with one occupant drove into the Israeli convoy on the Tel el-Ehna road about 100 yards (90 meters) from the border gate.

It said the car hit a truck carrying Israeli soldiers, and the explosion set fire to a number of Israeli vehicles.

Machine-gun fire could be heard as the surviving Israelis reacted to the attack. Helicopters were used to quickly remove the dead and injured, residents told state radio.

Seven Israeli soldiers, all with severe burns, were brought to Rambam Hospital in the northern Israeli port city of Haifa, according to Dr. Ben Ishai, a hospital spokesman. Four others were hospitalized in Safed Hospital, about 18 miles (30 kilometers) south of Metulla, said the hospital's director, Dr. Gideon Marmor. One was in critical condition, one was in serious condition and two had less serious injuries, he said.

Both Sunday's explosion and the Feb. 10 attack occurred on territory controlled by a pro-Israeli Christian militia before the Israeli invasion of Lebanon in June 1982. Israeli soldiers have not been killed that close to the border since 1981.

The caller representing the resistance front referred to Mr. Peres and said, "We shall reply to his use of the iron fist against our people with the victorious and faithful fist of the Husseiniya" or Shiite religious school, referring to the Shiites' preparedness for martyrdom.

Anti-Israeli and anti-American sentiment ran high in Beirut's crowded Shiite slums over the weekend. A banner saying "Made in USA" was draped across the collapsed wall of one of the buildings hit by the explosion Friday. Another banner carried by youths read: "America: the greatest Satan; Israel: Enemy of God."

On Friday, U.S. officials said the aircraft carrier Eisenhower left the Mediterranean island of Majorca to be in position to evacuate Americans from Lebanon.

The worst suicide bombings in Lebanon occurred Oct. 23, 1983, when 241 U.S. troops were killed in an attack on the U.S. peacekeeping mission, then in Beirut, and 58 French soldiers were killed at the French military installation in Beirut. (AP, WP, UPI)

Iran Reports Iraqi Raid on 2d-Largest City

Reuters

TEHRAN — Iraqi planes attacked Isfahan, Iran's second largest city, on Sunday in their deepest air raid into Iran since the two countries resumed attacking each other's towns and cities last Monday, official Iranian government media reported.

Radio Tehran and the Iranian national news agency said that Isfahan, the ancient royal capital of Persia, was one of eight Iranian cities or towns bombed by Iraqi planes or hit by long-range missiles.

The Iranian agency said the death toll from the Iraqi attacks Sunday was at least 130, bringing the total since last Monday to 525.

Iran also said its aircraft inflicted heavy damage and casualties on Iraqi installations in Margasur, a small Kurdish town near the Iranian, Iraqi and Turkish borders, and also attacked Maydan in Iraq.

The highest death toll was in Marivan, in Iran's northwestern province of Kurdistan, where 80 people were reported killed.

An Iraqi attack on the Iranian town of Baneh last June killing



as denying that an Iraqi warplane was shot down over Iran.

The Iranian news agency said Iraqi planes hit two areas of Isfahan with rockets, wounding at least 15 persons.

Isfahan, about 260 miles (420 kilometers) east of the Iraqi border, is one of the country's most picturesque cities, famed for its mosques, bazaar and fine carpets. It is also an industrial center, housing a major steel-manufacturing complex.

Abadan, only a few miles from Iraq and a bustling oil refinery center before the war, was bombed three times Sunday by Iraqi planes, destroying many buildings and starting fires, the Iranian agency reported. The Iraqis also pounded the city with artillery, it added.

Residents reached by telephone in towns in southern Iran within range of Iraq's surface-to-surface missiles and its bombers said houses were emptied by nightfall.

Khorramabad, 135 miles from the Iraqi border, was described as a ghost town at night. Iran says that 120 people died in a missile attack on the town Saturday.

Residents of the steel and oil city of Ahwaz said many people moved

about 40, led to a partial ceasefire, negotiated by the United Nations, that banned attacks on civilian centers. The new attacks shattered that agreement.

Tehran Radio said that two Iraqi aircraft were intercepted over western Iran and one of them was shot down.

Iran said its warplanes hit a naval target in the Gulf, a term usually used to mean a ship, but made no mention of attacks on Iranian towns. The Iraqi news agency, however, quoted a military source

Italy Arrests a U.S. Tax Consultant

By E.J. Dionne Jr.
New York Times Service

ROME — Italian officials have arrested a U.S. lawyer for fraud and tax evasion in a case that American and Italian officials say could have wide repercussions.

Robert Kobel, a spokesman for the foreign operations division of the Internal Revenue Service in Washington, said in a telephone interview that the case would make the point that Americans overseas were liable to U.S. income taxes.

In addition, he said that prominent people were involved. "It's going to blossom forth in a much wider way," he said.

The case is also significant, Italian and American officials said, because it marked a new level of cooperation between the U.S. Internal Revenue Service and Italian tax authorities as part of an

agreement that went into effect on Jan. 1 of this year.

The man arrested Friday, Richard Heller, is a lawyer whose specialties included tax advice to Americans living in Italy. His clients have included many American journalists living in Rome.

Judge Giorgio Santa Croce said Mr. Heller had been arrested on charges of fraud that involved, among other things, the creation of dummy companies designed as "fiscal havens" to foster tax evasion.

Mr. Kobel, while affirming that some of those under investigation were U.S. journalists, declined to say whether U.S. government officials in Rome were also under investigation.

Colonel Osvaldo Cocuzza, an official of the Italian tax and customs police, said the investigation was continuing and that it involved

"many people, including very important people."

In all, more than 150 taxpayer files were being investigated here, though apparently many of these taxpayers are not themselves under suspicion, according to officials.

Judge Santa Croce said that one of the things officials were trying to determine was whether taxpayers whom Mr. Heller represented were involved in his alleged tax evasion schemes; and if they were, whether the clients willingly cooperated with schemes they knew were illegal.

Allegations in the case include embezzlement, forgery and diversion of funds, U.S. officials said.

Mr. Heller was well-known in segments of the U.S. expatriate community as a lawyer who made out tax forms destined for both the U.S. Internal Revenue Service and

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Caribou Loses to Quiche in a Canadian Backwater

By Christopher S. Wren
New York Times Service

YELLOWKNIFE, Northwest Territories — It's enough to make a grizzled prospector choke on his caribou steak. They're peddling cappuccino and bagels to customers down at the Pilot Base Cafe.

There is a health food store in Yellowknife, too, and visiting ballet at a performing arts center that opened last year. The Trapline Bar took down the snowshoes and animal traps from its walls and hired a rock music band.

Yellowknife's film society serves wine and cheese at its screenings of foreign movies. And if sourdoughs do not eat quiche, it is probably because they cannot afford it. Quiche with a tossed salad on the side goes for about \$5 at the Yellowknife Inn.

"There's alfalfa sprouts all over the place," said Janet Thorson, the editor of a weekly newspaper called News North.

Yellowknife has come a long way from its origins in 1934-when gold was discovered near

the Great Slave Lake. In those boom-town days, the old Stoper Hotel served booze in abundance to make the thirst of males only. The Rex Cafe sold bootleg liquor on its second floor and ran a nonstop poker game that the Royal Canadian Mounted Police tried to raid at least once a year.

Even after the Yellowknife Inn opened, "if you didn't see at least a fight or two a night you were pretty disappointed," said Robert Pilot, a former Mountie who has become deputy minister of the territorial Executive Council. "It was a pretty rough place."

Two gold mines are still operating, prompting a local song to limn Yellowknife as a place where "the gold is paved with streets." But the Stoper Hotel and Rex Cafe are long gone and the Yellowknife Inn accepts credit cards from a classier clientele of businessmen and government officials.

Residents say Yellowknife's decline into urbanism began in 1967. That was when the territorial government was moved here from Ottawa on the logic that the Northwest Territories,

slightly larger than India, could be run more easily from within than from 3,022 miles (4,900 kilometers) away.

"Back in the 1950s and early 1960s, it was your typical friendly mining community," said Don Sian, the mayor of Yellowknife. "As a result of the government moving up here, it's changed from a mining community to more of a cosmopolitan center, with an influx of 3,000 people."

Since the civil servants descended on Yellowknife, the population has grown to about 12,000, land prices have soared and the housing vacancy rate has dwindled to zero.

New arrivals often double up, live in trailers or even house-sit for residents on vacation.

The climate has stopped Yellowknife from growing too soft. It hit 40 below zero centigrade (minus 40 Fahrenheit) the other day, still warmer than the stretch of 60 below five years ago.

Yellowknifers, meaning everyone who knows better than to wear leather shoes instead of

(Continued on Page 2, Col. 7)



Pedestrians do not always wait for the light to change when crossing the street in Yellowknife, Northwest Territories.

In Geneva, Both Sides Pledge To Seek an End to Arms Race

GENEVA—The Soviet Union's arms control negotiators arrived in Geneva on Sunday and pledged to work for a fair deal in new talks with the United States on curbing space and nuclear weapons.

The U.S. delegation, led by Max M. Kampelman, arrived Saturday. A special Tu-154 airliner brought the Soviet delegation chief, Viktor P. Karpov, and the two other main negotiators, Yuli A. Kvitsinsky and Alexei A. Obukhov, from Moscow two days before the talks are to open.

At the airport, Mr. Karpov said he had a mandate from the Kremlin "to negotiate in a businesslike and constructive manner, seeking effective solutions."

"In doing so," he added, "this delegation will be consistently guided by the principle of equality and equal security."

Mr. Karpov said the framework for the talks, linking space weapons to nuclear arms, "affords an opportunity for productive work and reaching solutions aimed at preventing an arms race in space and ending [arms competition] on Earth."

[The Soviet government newspaper Izvestia criticized Sunday the U.S. approach. The New York Times reported from Moscow.

[The Soviet paper said that "Washington's maneuvering" showed that it "clearly aims to poison the atmosphere around negotiations." It said the Reagan administration wanted to use the talks to

push Congress to approve a high military budget, including funds for space weapons research.]

Mr. Kvitsinsky will handle space weapons in the talks and Mr. Obukhov will be responsible for medium-range nuclear weapons. Mr. Karpov will head the talks on strategic, or long-range, weapons.

About 100 Soviet officials accompanied the negotiators to Geneva.

■ **U.S. Says It Seeks Stability**
Earlier, Bill Keller of The New York Times reported from Geneva: Mr. Kampelman, upon his arrival Saturday, portrayed the talks as a first step toward abolishing nuclear weapons.

"We are ready to build a bridge to a global environment of greater stability through the taming, and then the elimination, of nuclear weapons," he said.

But he acknowledged that "our differences on the issues of nuclear arms are deep and deeply held."

"It would be folly to expect them to be bridged overnight," he said.

As Mr. Kampelman read a brief statement, he was flanked by former Senator John G. Tower, the negotiator on strategic arms, and Maynard W. Glitman, the negotiator on medium-range weapons. All three men are new to their jobs.

Two U.S. government jets brought an official party of 90 people to Geneva for the arms talks. The unusually large contingent reflected the complexity of the talks.

Besides discussing discussions on strategic nuclear weapons and medium-range nuclear forces in Europe — both of which the Soviet Union broke off in 1983 — the two sides are to begin new discussions of space and defensive weapons.

Mr. Kampelman, an ardent advocate of the space-based defense program popularly known as "star wars," is the chief negotiator in the working group that will deal with space and defensive weapons.

American officials in Geneva said they expected the first meeting to take place in a villa at the large, well-guarded Soviet diplomatic compound, with subsequent meetings to alternate between the Soviet quarters and the offices of the U.S. arms control delegation on the Avenue de la Paix.

The officials predicted that the first round of talks would last about a month, and would consist of presenting, defending and probing both sides' opening positions.

Mr. Kampelman promised "to listen positively and patiently" to the Soviet proposals and "to thoroughly and responsibly explore all avenues" that would lead to peace.

He quoted a statement last month by the Soviet foreign minister, Andrei A. Gromyko, that "the complete elimination of nuclear weapons should become the highest goal of all states in the world."

Mr. Reagan's national security adviser, Robert C. McFarlane, said Friday that the president, in 12 pages of instructions, had given his negotiators wide latitude to negotiate tradeoffs in offensive weapons.

He said that in the area of defensive and space weapons, the American negotiators were not free to negotiate restrictions, but were to try to persuade the Russians to join in the evolution to a superpower balance based on defense.

The Soviet Union has insisted that an agreement reducing arsenals of offensive weapons would be contingent on the United States' curtailing its space-related military program.

Although no one predicts that the first round of talks will go much beyond an airing of differences, the tone of the first meetings is a serious matter to both sides.

The signals given off in the next few months may influence the way Congress treats Mr. Reagan's military budget, especially provisions for the MX missile, which the president has made a test of congressional support.

Congress is to vote later this month on releasing \$1.5 billion for 21 MX missiles, and later this year on an additional \$4 billion to produce 48 more MXs.

The Russians, in turn, will be looking for clues that may influence their next five-year weapons plan, which is expected to be presented in the fall.

John D. Steinbruner, a Soviet affairs expert who is director of foreign policy studies at the Brookings Institution in Washington, said last week: "To have a plan, they must have assumptions — are they in an arms race, or is it going to be restrained?"

Officials in Geneva said much of the next week would be given over to the complicated logistics and protocol of deploying three separate negotiating groups.

The American team will also spend a good deal of its first week in Europe trying to shore up support on its own side. The three chief negotiators will fly to Brussels on Monday for talks with members of the North Atlantic Treaty Organization, and periodic briefings have been arranged for visiting groups of senators and representatives.

■ **Moscow Blocks Peace Rally**
Five members of an unofficial Soviet peace group were detained Saturday and prevented from demonstrating near the officially sanctioned peace committee's Moscow headquarters, group members told The Associated Press in Moscow.



Viktor P. Karpov, the chief Soviet delegate to the U.S.-Soviet arms control talks, making a statement as he arrived Sunday at the Geneva airport. He is flanked by his two top assistants, Yuli A. Kvitsinsky, left, and Alexei A. Obukhov. At far right is an interpreter.

Rightists Take Large Lead In French Local Elections

(Continued from Page 1)

year, they said, their economic policies and opposition to the policies of conservatives could bolster their showing in the parliamentary elections.

The French Communist Party, traditionally holding nearly a fifth of the vote in local elections, appeared to score less than 15 percent Sunday.

Early projections showed the Socialists getting about 27 percent of the vote. In the last local elections in 1982, they won more than 32 percent.

Significantly, about 50 percent of the vote appeared to have been won by an alliance of the two main rightist parties, the neo-Gaullist Rally for the Republic, led by Jacques Chirac, the mayor of Paris, and the Union for French Democracy, led by former President Valéry Giscard d'Estaing, together with conservative nonaffiliated local politicians.

Theoretically, a similar showing in parliamentary elections next year would enable the opposition parties to govern without having to rely on the far-right party, the National Front, led by Jean-Marie Le Pen.

But Mr. Le Pen's party, which has surged to national prominence in the last two years on a protest platform with racist undertones, seemed certain to gain a strong local power base. The National Front took about 8 percent of the vote while fielding candidates in

only three-quarters of the constituencies, a result that confirmed the party's national political impact.

The outcome Sunday also confirmed the decline in recent years of the Communist Party. The Communists, who have opposed the Socialists since leaving the government last summer, scored about 12 percent, slightly more than in recent polls but less than their traditional share of the electorate.

The voting was the first ballot in a two-stage election. In most districts no candidate won an absolute majority and run-off ballots will be held March 17.

More than 10,000 candidates stood for 1,950 seats in the first-round vote. The outcome of next Sunday's vote, for which parties form tactical alliances, will determine the control of the country's administrative areas known as departments.

Half of the country's local representatives are elected every three years for six-year terms.

Departmental governments, which were largely honorary positions until 1983 when the Socialists gave them control over road-building and other local budgets, are significant political stepping-stones.

For next year's legislative elections, Mr. Mitterrand, who does not face re-election until 1988, is considering electoral changes to introduce a measure of proportional representation.

Opposition Seen Winning Poll In Saarland

Compiled by Our Staff From Dispatches

BOHN West Germany's opposition Social Democrats were heading for a surprise victory over the governing center-right coalition in elections Sunday for the Saarland state government, but the coalition appeared to have maintained control in West Berlin, West German television said.

The projections gave the Social Democrats 48.4 percent of the votes in the Saarland against 37.6 percent for Chancellor Helmut Kohl's Christian Democrats and 10.4 percent for his Free Democratic partners.

The Greens party was taking 2.6 percent of the votes.

The leader of the Social Democrats in the Saarland is Oskar Lafontaine, the mayor of Saarbrücken, who supports the removal of West Germany from NATO's military structure.

The projections showed the Christian Democrats slipping 6.8 percent from their performance in 1980.

In West Berlin, computer projections showed that the Christian Democrats would win nearly 47 percent of the votes and the Free Democrats 7.3 percent. The Social Democrats' score fell 5.3 points to 33.0 percent and the Greens' rose 3.4 points to 10.6 percent, according to the projections.

(Reuters, NYT)

Caramanlis Resigns as President of Greece

(Continued from Page 1)

Mr. Caramanlis' five-year term was to expire May 15.

The 300-member Parliament is due to meet Friday to elect a new head of state. A candidate must receive a two-thirds majority on the first or second ballot, or 60 percent of the vote on the third ballot. No other party has proposed a candidate for president.

The Socialists control 165 seats in the single-chamber house and will need support from the 12 pro-Soviet Communist deputies and several independents to elect Mr. Sartzetakis.

Mr. Caramanlis' New Democracy Party, which controls 112 seats in Parliament, is expected to vote against Mr. Sartzetakis.

The Communists said that they welcomed Mr. Sartzetakis' candidacy as "a positive response to the democratic feelings of the Greek people." Analysts predicted that several independents would likely back Mr. Sartzetakis.



Christos Sartzetakis

Mr. Caramanlis, a former prime minister and a strong supporter of Greek membership in the North Atlantic Treaty Organization and the European Community, had been expected to run unopposed for a second five-year term.

In a statement, he said that he had been told by leaders of both "big parties," especially the Socialist leader, "that my re-election was essential to smooth developments in our political life and national unity."

Mr. Caramanlis was widely believed to have restrained the Socialists' foreign policy initiatives, including their plans to leave NATO and to close U.S. bases in Greece.

Mr. Caramanlis was prime minister between 1955 and 1963 and maintained good relations with the Socialists.

Mr. Sartzetakis rose to prominence in 1963 as the magistrate who investigated the death of a leftist politician, Grigoris Lambrakis, who died in a traffic accident allegedly set up by extreme rightists. The prize-winning film "Z" was based on the case.

Mr. Sartzetakis said: "I accept this exceptional honor knowing the responsibilities and that the presidency is above party politics."

If Parliament fails to elect a president on the third ballot, general elections must follow.

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WORLD BRIEFS

South Africa Bars Bail for 16 Activists

JOHANNESBURG (NYT) — The South African authorities have said 16 prominent opponents of white minority rule detained last month will not be granted bail before or during their trial, which is expected to last 18 months.

Michael Imber, attorney general of Natal province where the 16 are being held, said Friday he had issued orders under the Internal Security Act, a broad law designed to suppress dissent, barring the detainees from seeking bail.

The 16 are all members of or affiliated with the United Democratic Front, a multiracial alliance that claims a following of 1.5 million people drawn from 600 associated political groups, trade unions, church bodies and local community organizations. The charges against them include treason.

Hawke Affirms Alliance With U.S.

CANBERRA, Australia (NYT) — Prime Minister Bob Hawke of Australia said Sunday that there was no possibility that his government would adopt the anti-nuclear stance that led New Zealand to deny visiting privileges to U.S. warships.

Mr. Hawke said he would resign rather than preside over a government that opposed either of the two elements he considered indispensable to Australia's alliance with the United States. He said these were port entry and the three military bases in Australia that are run by the two countries.

Mr. Hawke said in an interview that his position was based mainly on his reading of Australian public opinion on his nation's security interests, not from a sense of subservience to the United States.

Vatican Operated at Deficit in 1984

ROME (NYT) — The Vatican announced Saturday that it incurred a deficit last year of 58.4 billion lire (\$27.5 million).

But the government of Vatican City, the independent state occupied by the Vatican, had a surplus of 412 million lire. The figures were released after a three-day meeting of cardinals charged with overseeing the Vatican's finances. The meeting ended on Friday.

It was the first such meeting since July, when the Vatican Bank, known as the Institute for Religious Works, agreed to pay \$241 million against claims of more than \$1.4 billion after the collapse of the Banco Ambrosiano, Italy's largest private bank.

5 Wounded in Attack in Basque Spain

VITORIA, Spain (AP) — Attackers shot and wounded three policemen and two television technicians Sunday outside a sports arena where a basketball game was in progress, police said.

The policemen had been guarding the mobile van of Spanish state television in Vitoria, capital of the Basque country of northern Spain.

It was the third attack in five days in the Basque country. The separatist organization Euzko Herria and Liberty claimed responsibility for the car-bomb killing Thursday of the chief of the Basque regional police near Vitoria, and for a bombing that caused no casualties the previous day in the Spanish Navy's regional headquarters at San Sebastian.

U.S. Says 93,000 Farms Deep in Debt

WASHINGTON (AP) — An unreleased Agriculture Department report says 93,000 U.S. farms, holding \$47 billion in debt, are technically insolvent or on the verge of going broke. This is a 45-percent increase from earlier figures.

The report by the department's Economic Research Service reiterates data issued several months ago indicating that 386,000 of the 2.3 million U.S. farms, or nearly 18 percent, are likely to be suffering some financial stress.

The figures are in contrast with the number cited last week by President Ronald Reagan when he vetoed legislation intended to provide emergency credit to farmers suffering from declining asset values and insufficient cash flow. He said about 4 percent of farmers needed immediate financial help.

For the Record

The Uruguayan parliament has approved an amnesty for 260 political prisoners jailed by the former military government. Under the amnesty, voted into law Saturday, the first prisoners will be freed early this week, a government spokesman said.

Vice President George Bush arrived Sunday in Geneva after a tour of three nations in Africa that have been hurt by drought, and he called for a global effort to combat the "human tragedy" in Africa. He will address a UN emergency conference on Africa on Monday.

Pakistan's 1973 constitution was revived Sunday by General Mohammed Zia ul-Haq, who suspended it in a military coup eight years ago. In Islamabad, he said, however, that fundamental rights would remain suspended while martial law remains in effect.

Quiche Reaches Yellowknife

(Continued from Page 1)

insulated boots in winter, often walk about with their mittens dangling from strings like schoolchildren. Losing a mitten can mean frostbite.

When the inquiring photographer of the weekly Yellowknife asked passersby if jaywalkers should be fined, a woman replied that she was not going to freeze her posterior waiting for the light to turn green if no cars were coming.

Cars are plugged into electrical outlets to keep the engines from freezing, or are simply left running. At the Miner's Mess cafeteria, whose ambience of uncollected coffee cups and cigarette butts evokes the old days, one local gripped about his car. "Below 35 degrees, she starts to clunk, clunk, clunk," he said. "It's those five degrees that make a difference."

In winter, no one bothers to specify temperatures as being below zero.

The roots of Yellowknife can be found in the log cabins and shacks clustered on Willow Flats, down where the bush pilots take off and land on the lake. The city wants to renovate the lakefront as a tourist attraction, and squatters in the old town have been asked to move off government land.

Mayor Sian said that those who lived there before 1967 could stay on until they died or their shacks fell down; the others must go.

"Economics is the thing," said Fran Hurcomb, a photographer who has fixed up one of the old houses on Willow Flats. "We're not contributing to the economy, they figure."

The Yellowknife city government is facing the overhaul of its downtown water pipes, which were laid in hit-or-miss fashion in the 1950s. The water must be heated to flow, and when a pipe freezes and bursts, repair crews have to cut through 6 feet (1.8 meters) of permafrost with a jackhammer to reach it.

"No doubt there's a lot of nostalgia around, but you have to deal with reality, too," Mr. Sian said.

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The French who interest you read Le Point

They have a high income... and want to spend it (in France and elsewhere)

286,500 copies and more than 2 million readers in France, 42,300 copies abroad. Every Monday, such is the performance of Le Point, this French newsmagazine created in 1972, and which has since made spectacular progress inside and outside France. Two editions (national and international), but above all the most interesting readership. Let's judge...

Readers of the national edition are managers or executives (56 %) with a high purchasing power (54 % earn more than 120,000 FF/year); they are young (42 % are under 35) and live in big cities (58 % are in towns of more than 100,000 inhabitants).

People in charge, male (60 %), who are defined by all surveys as enterprising and serious, but also great travellers, sportsmen, music and cinema lovers... extraverted and extravagant.

All this is confirmed by the EBRS and the recent survey conducted amongst readers of the international edition of Le Point. All the more so in that these readers have a still higher income (50 % earn more than 250,000 FF/year).

Every Monday, two editions of Le Point



The international edition (42,300 copies) entirely distributed outside France: Europe, Africa, USA, etc.



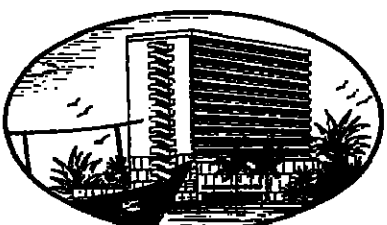
The national edition (286,500 copies) distributed only in metropolitan France

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Italy Holds Consultant

(Continued from Page 1)

the Italian tax authorities. His reputation spread both by word of mouth, particularly among journalists, and through advertising.

Americans living abroad often seek tax advice from lawyers or accounting firms to sort out their obligations to the U.S. and to governments in their host countries.

Not only do laws vary from country to country, but so do traditions of tax payment or evasion. A U.S. banker said that Italian accounting firms often suggest that taxpayers under report their incomes, since the government does not usually

AMERICAN TOPICS

Is a Gold Watch Enough After All?

Long-term company loyalty can be more of a fault than a virtue, according to a growing consensus in the U.S. business community.

"The sleepy solid citizen who stays with the company for 30 years isn't loyal," said Rosabeth Moss Kanter, professor of organizational management at Yale. "He is simply viewed as having nowhere else to go."

Robert, Hilber & Replogle, a management consulting firm, says the overly loyal employee dislikes taking risks, prefers routine tasks to formulating strategy and follows company policy even when it leads to disaster. The firm cited a toy-company executive who, obeying a pro forma memo urging cost-cutting, replaced heavy metal hinges with cheap plastic ones, leading to frequent breakdowns and damage to the company's reputation.

Such blue-chip companies as International Business Machines Corp. and Hewlett-Packard Co., however, seem to have achieved both employee loyalty and independence. IBM provides job security and generous benefits for veteran workers but gives its rewards and promotions to those who innovate and who are conscientious about customer service.

Similarly, at Hewlett-Packard, Kim Wiskol, named manager of office productivity after devising a plan to automate procedures, says: "If you have a good idea, the company wants you to try it."

West Wing Closet Vs. Executive Suite

With all the re-shuffling of the White House staff, the best-kept secret is of being moved to the fourth floor of the Executive Office Building next door. A senior administration official, who asked not to be quoted by name, said: "They call that 'death row over there.'"

Michael K. Deaver, the deputy chief of staff, said half-jokingly from his secure perch next to the Oval Office, "People will kill to get an office in the West Wing," near the president's working quarters.

"You'll see people working in closets, tucked back in a corner, rather than taking a huge office with a fireplace in the E.O.B., just so they can say they work in the West Wing."

Notes About People

Lee A. Iacocca, chairman of Chrysler Corp., has sent a congratulatory note to Representative Robert T. Matsui of California saying he intended no offense in his speech at a recent meeting of House Democrats. According to those present, Mr. Iacocca said Japan was "putting it to" the United States and its \$37-billion trade surplus was "too big a ripoff, even for a friend."

Mr. Matsui, a third-generation Japanese-American, said he was satisfied.

Lynda Johnson Robb, 41, wife of the governor of Virginia and daughter of President Lyndon B. Johnson, recalls taking the late Alice Roosevelt Longworth, renowned for her acerbic wit, on a private tour of the White House.



Lynda Johnson Robb

White House. Pausing in front of a portrait of President William Howard Taft's wife, Helen Herron Taft, looking uncharacteristically shy, Mrs. Longworth remarked: "They must have superimposed her head on somebody else's body."

John Clark Gable, 23, racing driver son of the film actor, has married Tracy LaRae Yarrow, a beautician and daughter of a wealthy California real estate broker. Four months before the younger Gable was born, his father died of a heart attack. His mother, Kay Williams Spreckels Gable, died in 1983.

Leaving Them Speechless

General John W. Vessey Jr., chairman of the U.S. Joint Chiefs of Staff, addressing a black-tie audience at the Chevy Chase Club near Washington, quoted what he called the best speech he ever heard, delivered by General Curtis E. LeMay, former chief of the air force.

"I have a speech," General Vessey quoted General LeMay as saying. "It's a good speech. It was written by a smart lieutenant colonel who works for me, and I read it on the way here. Now I'm going to put it in the library, and you can read it too."

End of speech. General Vessey then went on to deliver his own speech, on national defense.

—Compiled by ARTHUR HIGBEE

New Yorker Magazine to Be Sold to Newhouse Chain

New York Times Service
NEW YORK — Directors of The New Yorker magazine, a proudly independent arbiter of good taste in fiction, reporting and humor for more than 60 years, have agreed to sell the company to Samuel I. Newhouse Jr. for \$142 million.

The directors announced Friday that they had voted unanimously to approve the sale to the Newhouse family's company, Advance Publications Inc.

The Newhouse publishing empire includes 26 newspapers, the Condé Nast magazines — Vogue, House & Garden, Vanity Fair, Glamour, Gourmet, Self, GQ, Mademoiselle — as well as Random House, a leading American book publishing company.

The New Yorker's directors said that the Newhouse interests had guaranteed the continued editorial independence of the magazine and that present editors would be retained.

But many employees of The New Yorker, including William Shawn, the magazine's 76-year-old editor, objected strongly.

Mr. Shawn, in an emotional meeting with his staff Friday, said that "we were not asked for our approval, and we did not give our approval" to the decision to sell the magazine.

"The editorial staff was not a party to these negotiations," he told the writers, editors and artists assembled in a hallway at the magazine's offices in Manhattan. "Not were the views of the editorial staff solicited during these negotiations."

The tone of regret in Mr. Shawn's statement was widely shared by many at the meeting and underscored a general belief that the sale was a betrayal of Mr. Shawn, a renowned figure in the New York literary world.

Calvin Trillin, a New Yorker writer who specializes in art, said: "One way to look at The New Yorker is as a quirky beast or Ruben Goldberg machine, which against all expectations spits out a magazine each week. This magazine, that would appeal any student of magazine technique, somehow comes out, and sometimes it produces remarkable things."

Among the unusual editorial practices of the magazine, its writers say, are its custom of depending upon writers to initiate all story ideas, allowing them take as much time as they want on virtually any article, and its lavish expenditure of editorial time and fact-checking on every piece.

A staff member at The New Yorker said Friday that a group of employees, including Mr. Shawn, had met with a New York attorney to determine their rights in the current situation.

Despite the staff opposition, investment banking sources close to the transaction said the sale was virtually assured. The New Yorker's stockholders, who must still approve it, can look forward to handsome gains if they do so.

Before Newhouse first approached the company last year, The New Yorker's shares were trading at about \$130. His \$200-a-share bid, therefore, amounts to more than a 50 percent premium.

In January, Mr. Newhouse paid \$26 million to purchase 17 percent of The New Yorker. On Friday, the magazine's directors approved a proposal by Mr. Newhouse to acquire the remaining 83 percent of the company for \$142 million, a \$14.1-million increase over his original offer, made a month ago.

The sale would mark the first time the publication has changed hands since its founding in 1924 by Raoul Fleischmann of Fleischmann's Yeast. His son, Peter F. Fleischmann, is current chairman of The New Yorker.

In its early years, The New Yorker, under its first editor, Harold Ross, published the first work of such writers as E. B. White, James Thurber and John O'Hara.

Under Mr. Shawn, the magazine also became known for long non-fiction articles that concern social

issues: John Hersey's article reporting on the aftermath of the nuclear bombing of Hiroshima; Rachel Carson's study of pesticides, "Silent Spring"; and, more recently, Jonathan Schell's study of nuclear war, "The Fate of the Earth" — and many more.

Other writers published in The New Yorker include J.D. Salinger, John Cheever, Hannah Arendt, James Baldwin and John McPhee, the naturalist.

In addition, the magazine has long set standards with its cartoons. Its original stable included such artists as Saul Steinberg and Charles Addams; a newer breed, who delight in poking fun at the magazine's intellectual and trendy readers, includes Ed Koren and William Hamilton.

The magazine has a weekly circulation of about 500,750.

Last November, when Mr. Newhouse first announced that his company sought to acquire a 17 percent stake in The New Yorker, he declared that there were no

plans to add the magazine to the multimillion-dollar family empire. But industry insiders did not believe him; not to acquire The New Yorker would have gone against tradition.

"Every time Newhouse bought a stake in something, they might as well have said, 'I'm going to have it for myself soon,'" said Richard H. Meeker, author of a biography about the late Samuel I. Newhouse Sr., whose acquisitions laid the foundation for the company.

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Twice As Much Art for Your Money

WASHINGTON — Flounder rushed into Bass' office at the State Department and cried. "The secretary wants a slide presentation on the elections in Enchilada to show to the American people."

"I anticipated that," said Bass. "I've been putting one together. Sit down."

"This is the Garcia family which lives in Miami and which financed the Liberal Peasant Assassination Party of Miguel Tortilla."

"Who is Tortilla?"

"He is known as 'The Hammer' because his people like to beat on opposition politicians with hammers. In 1971 we called him Enchilada's 'Criminal of the Year.' But he got 25 percent of the vote."

"Wow, it's going to be hard for us to support him."

"Not necessarily. We found a

WASHINGTON — Every time Secretary of Defense Caspar Weinberger goes abroad, I get the willies. The success of every mission seems to be based on how much U.S. military equipment he can give or sell to the country he visits, as well as his ability to persuade the head of the state he is drinking tea with to build up his armed forces.

I don't mind when Weinberger does a selling job on a Third World power, but I start shaking when he puts pressure on a country like Japan to get its military act together.

This is what Secretary Weinberger has just done on a trip to Tokyo. He wants the Japanese to rearm and become a military power to be reckoned with.

To those of us who served in World War II, memories die hard when it comes to allowing a power-

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Police Order Walesa Not to Leave His Home City Without Permission

Testifying before the House En-
ergy and Commerce Committee's

"EPA is confident its approach to identifying, assessing and cleaning up hazardous sites under Superfund is the correct one."

President Raúl Alfonsín of Argentina congratulates General Teodoro Waldner of the air force after he was sworn in as head of the Joint Chiefs of Staff in a military shake-up.

General Waldner, formerly air force chief of staff, replaced an army general, Julio Fernandez Torres, who retired along with the army chief of staff, Gustavo Pianta, six other army generals, four navy

The government also purged several navy admirals who have led

Political and military observers in Buenos Aires said Mr. Alfonsín had used the shake-up to reaffirm his government's authority and democratic priorities shortly before

Mr. Walesa made his comments as West European delegates to the United Nations Commission on Human Rights in Geneva decided not to introduce a resolution criticizing Poland's record on human rights.

Lech Walesa

British Air Mo

This week the general prosecutor's office issued a warning to Poles to cooperate with foreign organizations that the government regarded as subversive.

Sir Patrick told Britain's Inde-

and took the first exit to the right
he said.

REGISTRATION INFORMATION	REGISTRATION FORM
<p>The conference will be held on 17-18 June 1997 at the Hotel Astoria, 1700 17th Avenue, Astoria, Oregon 97103. A block of rooms has been reserved for participants at preferred rates. For details, please contact the hotel directly.</p> <p>Astoria Hotel House, Attn: Registration Office Astoria, Oregon 97103, Tel. (503) 325-6334, Telex: 22-4545</p> <p>The fee for this conference is \$200. This amount is to cover the conference fee. This includes dinner, lunch, beverages, coffee, and a continental breakfast. The fee also includes a complimentary registration bag and a complimentary copy of the conference proceedings. The fee also includes a complimentary copy of the conference proceedings. The fee also includes a complimentary copy of the conference proceedings.</p> <p>The conference will be organized in association with the Oregon State Bar Association and the Oregon State Bar Association. The conference will be organized in association with the Oregon State Bar Association and the Oregon State Bar Association.</p>	<p>Registration Fee: \$200.00 Conference Fee: \$200.00 Registration Fee: \$200.00 Conference Fee: \$200.00</p> <p>Registration Fee: \$200.00 Conference Fee: \$200.00 Registration Fee: \$200.00 Conference Fee: \$200.00</p> <p>Registration Fee: \$200.00 Conference Fee: \$200.00 Registration Fee: \$200.00 Conference Fee: \$200.00</p> <p>Registration Fee: \$200.00 Conference Fee: \$200.00 Registration Fee: \$200.00 Conference Fee: \$200.00</p> <p>Registration Fee: \$200.00 Conference Fee: \$200.00 Registration Fee: \$200.00 Conference Fee: \$200.00</p>

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Nicaraguan Opposition Told to Avoid Cruz

By Larry Rohrer
New York Times Service

MANAGUA — Leaders of Nicaragua's principal opposition coalition say they were summoned to security headquarters during the weekend and warned to cut ties with an opposition leader, Arturo José Cruz.

Eight leaders of the coalition, which is known as the Democratic Coordinator, said Saturday that they had been told earlier in the day by the director of state security, Leonín Cerna, that they would face the consequences if they continued contact with Mr. Cruz. Mr. Cruz, a former member of the government, was accused by the Sandinista government of taking part in a counterrevolutionary plot led by the U.S. Central Intelligence Agency.

The opposition leaders said security officials claimed to have discovered an anti-Sandinista plot in the U.S. government, Mr. Cruz and the Democratic Coordinator. They said they had been specially warned not to attend a meeting in Costa Rica with Mr. Cruz that the officials said had been "detected."

Last year the Democratic Coordinator nominated Mr. Cruz as its candidate in presidential elections in November. But he withdrew his candidacy after saying that the opposition was not being given a chance. He has spent the last



Arturo José Cruz

several months in the United States and Central American countries criticizing the Sandinista government in increasingly sharp terms.

On Jan. 2, Mr. Cruz signed a "declaration of principles" in San José, Costa Rica, calling on the Sandinistas to begin a "national dialogue" with the opposition, both armed and unarmed. Other signers of the document included leaders of the Nicaraguan Democratic Force and the Nicaraguan Democratic Revolutionary Alliance, the two main guerrilla groups fighting the government.

When Mr. Cruz tried Thursday to fly to Managua to discuss the document with church leaders, he

was turned back at San José Airport because of a directive by Nicaragua's Interior Ministry forbidding his return.

Pro-Sandinista newspapers published articles Friday accusing him of being a CIA agent seeking to "provoke" the Nicaraguan government into arresting him.

According to the Democratic Coordinator leaders, they were visited at their homes Friday night by state security agents and ordered to report to security headquarters at 8 A.M. Saturday.

Eight of the 11 sought eventually met with security officials.

The Democratic Coordinator leaders denied any links with the armed counterrevolutionary groups fighting the Sandinistas. They said there was a "civic struggle" being conducted within the political system.

"The Democratic Coordinator has never planned a plot against the government, either inside or outside the country," said Jaime Chamorro, editor of La Prensa.

The opposition leaders said Mr. Cruz had signed the San José declaration in a private capacity and was not acting in their name. But, they added, "He is a friend of ours and we do not consider that he is engaged in armed struggle nor that he is a counterrevolutionary."

Members of the group said they viewed the government's summons as an effort to intimidate them.

Push Seen for 'Contra' Aid

David Hoffman of The Washington Post reported from Washington:

President Ronald Reagan's senior advisers have decided to move ahead next month with a major effort to win from Congress \$14 million in "covert" aid for the rebels fighting the government of Nicaragua, rather than seek alternative ways to help the "contras," White House officials said Friday.

The officials said there was general agreement after a meeting on legislative strategy that Mr. Reagan should not now turn to other methods of helping the rebels, such as using a third country or transforming the aid into open assistance.

An aide said that White House officials had decided to devote their attention to a major political offensive on behalf of the contras next month, after Congress votes on the MX missile.

A senior White House official acknowledged that Mr. Reagan was 50 to 60 votes short in the House for his proposal to restart aid to the contras, which was terminated last year.

There have been suggestions in recent weeks that Mr. Reagan might seek to aid the contras through indirect means, avoiding Congress. But the senior official predicted the president would prevail on Capitol Hill rather than turn to other sources of help.

Mubarak Seeks Increase in 1985 U.S. Aid

By David B. Ottaway
and John M. Goshko
Washington Post Service

WASHINGTON — President Jimmy Carter is seeking to take advantage of Israel's deal for an increase in U.S. aid, an extra \$870 million in the next fiscal year, according to Egyptian and State Department officials.

Mr. Mubarak arrived Saturday in Washington for a five-day visit which he will meet with President Ronald Reagan to discuss his aid needs as well as his efforts to revive the Middle East peace process, beginning with discussions between a Jordanian-Palestinian delegation and the U.S. government.

The request for the \$870 million fiscal year, submitted last month by Foreign Minister Esmat el Maguid, is in addition to an increase of nearly \$1 billion in aid for the 1986 fiscal year. It is 70 million more than Israel is seeking in emergency assistance.

Egypt is getting about \$1 billion in economic aid and \$1.2 billion in military assistance in the current fiscal year. Congressional and administration sources said that it was unlikely to receive more than \$200 million, if that, in addition

to the \$1 billion in economic aid already budgeted.

The request is certain to sharpen the problem the Reagan administration faces in responding to the escalating economic demands of its two chief Middle East peace partners. Together, they want more than \$3 billion above what they are scheduled to receive. The two account for almost half of all U.S. foreign aid.

Yitzhak Mordechai, the Israeli finance minister, who completed three days of talks with senior U.S. officials Friday, indicated at a news conference that he expected the administration to announce soon an economic aid package for Israel that would come near the request for an immediate \$800 million in emergency assistance.

Administration spokesmen have welcomed signs of movement on the Arab side in the peace process and an improvement in Egyptian-Israeli relations. But they said many questions remained about both Mr. Mubarak's proposal and the recently concluded accord between King Hussein of Jordan and Yasser Arafat, the leader of the Palestine Liberation Organization, before the United States decided whether to re-engage in the peace process.

Among the questions U.S. officials ask is whether the Egyptian and Jordanian leaders are acting in tandem or on separate tracks in their peace initiatives and whether Hussein is ready to accept Mr. Mubarak's proposal for eventual direct negotiations between Israel and a Jordanian-Palestinian delegation.

The agreement signed Feb. 11 by Hussein and Mr. Arafat calls for an international conference sponsored by the United Nations, rather than Arab-Israeli talks. Mr. Arafat has yet to comment on Mr. Mubarak's proposal, but the PLO has condemned it.

Israel Comments on Talks

In Jerusalem, Israeli officials expressed confidence Sunday that the United States would back Israel's stand on peace talks in meetings with Mr. Mubarak. The Associated Press reported.

A senior Israeli official said Prime Minister Shimon Peres believed President Reagan would reject Egypt's request for a Jordanian-Palestinian delegation to see U.S. officials before sitting down with Israel.

Mr. Peres said Saturday that efforts to begin Middle East talks faced great difficulties, including Israel's rejection of negotiations with the PLO.

In a speech to members of the

United Jewish Appeal, he reiterated Israel's refusal to negotiate with the PLO, the main point of disagreement between Israel and Mr. Mubarak's peace proposals.

Mr. Peres's chief rival in the bipartisan government, Foreign Minister Yitzhak Shamir, was more critical of Mr. Mubarak's initiative in an Israeli radio interview Saturday. He said Egypt was only trying to improve relations with Jordan and the PLO.

Massachusetts Charter Is Found in Drug Raid

BOSTON — A parchment page of a 1629 land-grant charter signed by King Charles I of England and stolen in August has been returned to the state archives here after being seized in a drug raid.

The parchment, part of the Massachusetts Bay charter creating the Massachusetts Bay Colony, was thought at first to be a useless piece of old sheepskin. District Attorney William Delahunt said. It was found in a cupboard in a Boston apartment on Friday along with antique oriental rugs and some guns.

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- ☐ Male ☐ Female

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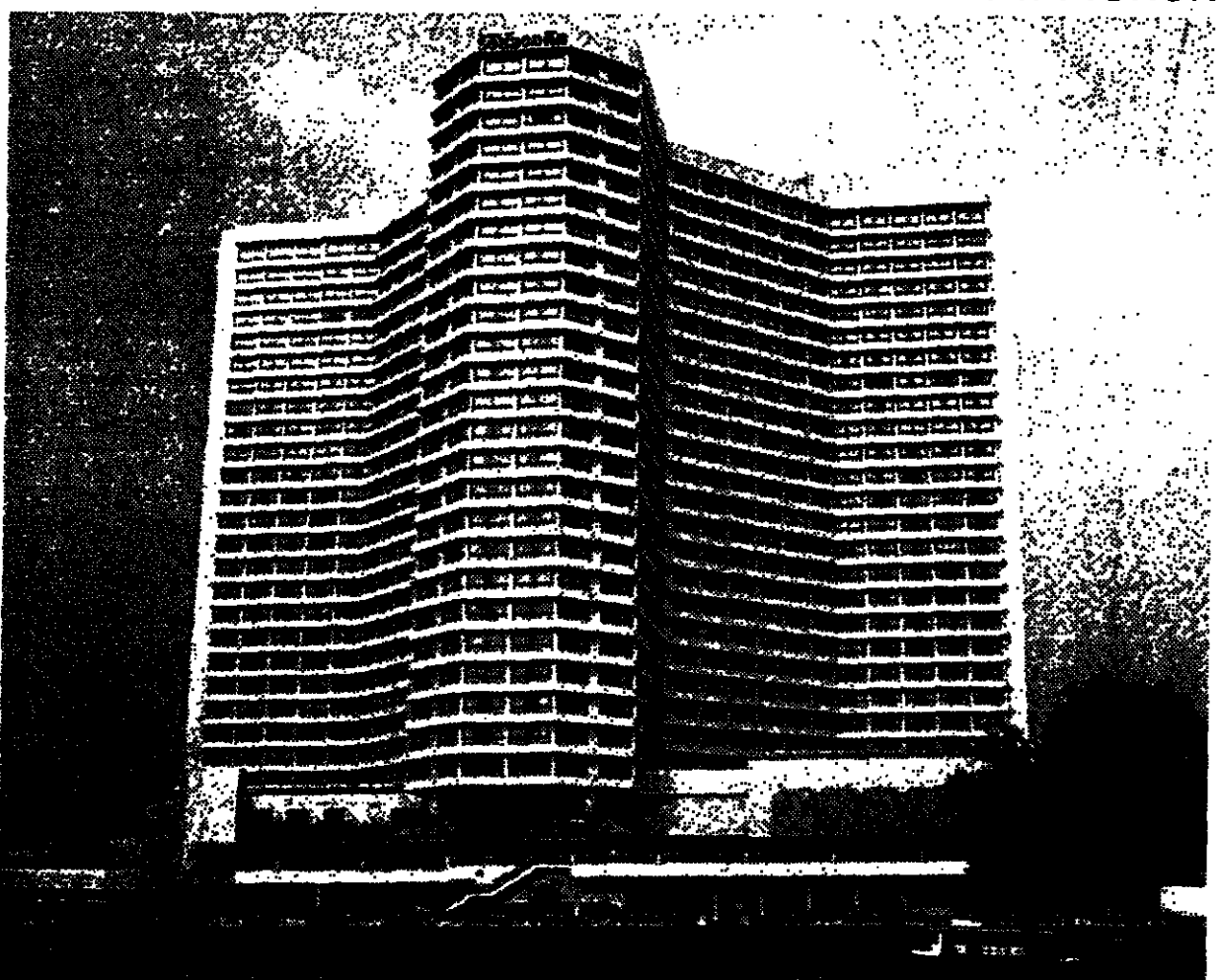
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The Choice in Geneva

What are the Soviet Union and the United States prepared to negotiate? If they are going to Geneva only to restrain this weapon or that, the arms control process is doomed. As the excitement over "star wars" shows, technology has outrun diplomacy. Even strict observance of today's weapons limit will not stop experiments that make tomorrow a nightmare.

That is why the main thing to be negotiated now is a concept of stability: a shared vision of a balance of forces that might be sustainable.

Stability requires not identical weaponry but a comparable capacity to deter attack, and a mutual willingness to be deterred. It requires a shared confidence that nuclear war is unwinnable, regardless of increases or improvements in weapons. And it requires constant communication to dispel persistent suspicions.

If the superpowers can agree on the meaning of stability, no disparity in weapons or imperfection in verification should prevent achieving it. If they cannot agree on what enhances stability, and what diminishes it, not even perfect parity in weapons would be safe.

That is why a simple "freeze" cannot work. That is also why it is disheartening to read that President Reagan thinks this negotiation can be won or lost — "The one who loses is the one who gets tired first." Geneva is not a labor negotiation to snatch the last buck. It is a quest for rules of the road so that two competing, careening superpowers can gain some security.

Attempts at arms control so far rest on a shared concept of stability, but one that is in danger of collapse. It amounted to a solemn pact, to make it impossible even to dream of winning nuclear war. It prohibited meaningful defense of missiles or cities. And with the

defense disarmed, it contemplated reducing the amount of offense needed for retaliation.

The superpowers also agreed to let satellites spy on each other's territory. To retard technology, they tried to limit tests of warheads and missiles. They agreed to bar nuclear weapons from space. And they kept in touch to review compliance and plan other agreements.

Both sides have undermined these arrangements. The Russians built too much offense, threatening some of America's retaliatory missiles; and they began a new phase of experimentation with anti-satellite weapons. The United States led the way in packing many warheads into missiles; and it now proposes to erect a comprehensive defense in space.

Both sides are moving toward a theoretical capacity to attack "only" military targets and thus to threaten a "limited" nuclear war that might "win" a confrontation because neither dares to attack major cities. Neither will ever tolerate such a nuclear gun at its head. Even desirable defenses — of retaliatory missiles — are therefore unattainable without agreements that forbid an overpowering offense. And neither side will accept limits on offense without agreements that restrain defense. Either everything is negotiable or nothing is.

Do we want arsenals of 15,000 warheads and then more, or 7,000 and gradually fewer? Spy satellites in orbit, or nuclear weapons? To hasten or retard new weapons testing? To negotiate about our fears or merely to act on them? The only choice is between an arms competition that respects a shared concept of deterrence and a race without rules that leaves both sides perpetually insecure.

—THE NEW YORK TIMES.

'Shurocracy' in Pakistan

President Zia of Pakistan is in many respects a typical Third World dictator. He seized power in 1977 and shows little inclination to relinquish it. But he also wants respect, and therefore attempts to clothe his regime in democratic garb. Like other strongmen he has invented a word for his political regimen: "shurocracy," derived from the Arabic "shura," meaning advice or consensus. He proposes to reach it cautiously in three stages.

The first was a plebiscite in December that brought him a "yes" for five more years. This month he allowed elections that chose members of the national and provincial assemblies — with no party affiliations allowed. Only step three will test his fidelity to his own blueprint. He has promised to end martial law within a few months, to appoint a civilian of stature as prime minister and to let the National Assembly decide whether to legalize political parties.

These would be significant steps. Under martial law, politicians have been jailed, parties banned and newspapers "advised" as to what they can publish. Restoring the authority of civilian courts would restore the rule of law,

an indispensable condition for more self-government. President Zia has often broken such promises. Still, he now seems shrewder, more assured than in his first years, when he executed his main rival and let mobs burn down the U.S. Embassy after an attack on the Great Mosque in Mecca. Only after Soviet troops moved into Afghanistan and fundamentalism swept neighboring Iran did he move to repair Pakistan's American connection.

The United States has ample strategic reasons for supplying arms and aid. General Zia's Pakistan preserves access to Soviet-occupied Afghanistan and shelters millions of Afghan refugees. But this help can be justified without pretending that he is a natural democrat.

That there is a yearning for change was evident even in this month's circumscribed election. Seven members of President Zia's cabinet were defeated. Scores of his known critics won seats but still-undefined power in the National Assembly. He can demonstrate new maturity if he lifts martial law and provides oxygen for the newborn parliament.

—THE NEW YORK TIMES.

Other Opinion

Germans Prefer to Look Ahead

In the 40 years since the end of World War II the German Federal Republic has developed into a democratic state with impeccable credentials. In the Western alliance it bears a big share of the common defense burden. Without abandoning the ultimate aim of reunification with the part of Germany under Communist domination, it has entered into normal relations with the Soviet Union and the other East European regimes, including, up to a point, East Germany. It has assimilated millions of refugees from the East, established a critical opposition along democratic lines and maintained the freedom of the individual. In these circumstances, nobody can blame the Germans for preferring to keep their eyes on the future rather than dwell on anniversaries of past evils like V-E day.

—Neue Zürcher Zeitung (Zurich).

Ironfisted 'Peace in Galilee'

The situation in southern Lebanon is becoming daily more appalling. Clashes between the demoralized Israeli army and its Lebanese equivalent are just the latest in a series of dangerous developments accompanying Israel's belated withdrawal from that unhappy country. Clearly, the Israelis are entitled to defend their soldiers as they prepare to pull out. When shot at, they are right to shoot back. But the "iron fist" operation of the past two weeks has gone far beyond that: It looks suspiciously like an all-out attempt to terrorize Lebanon's Shia Muslims into submission.

Government spokesmen in Jerusalem have adopted the apparently blameless posture that Israeli operations will cease as soon as attacks

on the Israeli army are stopped. Fine, but who attacked whom first? It was not the Lebanese Shias, against whom Israel so misguidedly launched its invasion in 1982, but the Palestinian guerrillas who had made southern Lebanon into a virtually autonomous state within a state. At that time the Shias were as anti-Palestinian as the Israelis. Indeed, many of them greeted the advancing Israelis with rose petals as they roared through the countryside in their armored convoys on the way to Beirut.

It is too late to expect the Shias suddenly to become Israel's friends again. But there is still time, just, for Israel to put the glove back onto its ugly "iron fist" in the hope that by so doing it might lessen the risk that Shia attacks will follow its troops back across the border. After all, wasn't the whole idea of the Lebanese invasion to bring "peace in Galilee"?

—The Observer (London).

Idiosyncratic Under the Law

After 35 years, I have finished a comprehensive study of European comparative law. The result is a study of four legal systems in Germany, France, the Soviet Union and Italy, here are my conclusions:

In Germany, under the law, everything is prohibited except that which is permitted. In France, under the law, everything is permitted except that which is prohibited. In the Soviet Union, under the law, everything is prohibited, including that which is permitted. And in Italy, under the law, everything is permitted, especially that which is prohibited.

—Newton Minow, former chairman of the Federal Communications Commission, speaking to the Association of American Law Schools, as quoted in the Congressional Record.

FROM OUR MARCH 11 PAGES, 75 AND 50 YEARS AGO

1910: Turks Quell Albanian Rebels
CONSTANTINOPLE — A new fight between Turkish troops and Albanians is reported. The "Vardar," a newspaper published in Uskub, announces that fighting took place recently between Ottoman soldiers and Albanians in the village of Belek, near Detchani. A certain number of Albanians, endeavoring to organize an uprising against the Constitutional regime, were in hiding in the village, and two battalions of infantry with guns were sent to capture them. The Albanians were surrounded, but refused to surrender, and perished in the ruins of their fortifications, which were destroyed by Turkish artillery. The Turkish troops had twelve killed and many wounded.

1935: Babe Ruth Leaves the Yankees
PARIS — The glamorous Babe Ruth is discarding the uniform of the New York Yankees. He is to go to Boston as executive and part-time player with the National League club of that city and his departure from New York has aroused mixed emotions among his admirers. He will be missed at the stadium and so will the threat that lurked in his mighty war club. Some one has said that it is more thrilling to watch Ruth strike out than to watch another ball player hit a home run. No one who has ever felt the tremor that runs through the crowd when the Babe approaches the plate will question it, nor will any one who has witnessed the Homeric quality of his home run drives.

Why Is the SDI Being Taken So Seriously?

By Stephen S. Rosenfeld

WASHINGTON — The troubling feature of the political terrain as the Geneva talks near is the way both Soviets and Americans have bid up the price of the Strategic Defense Initiative. President Reagan's plan for a nonnuclear defense against nuclear missiles in space.

So far, after all, "star wars" is only a research program or, if you prefer, a fantasy. The question of whether it can ever feasibly perform the more ambitious tasks set for it has to be considered highly conjectural. Yet in Moscow as well as Washington the operating premise is that it will work — in the sense of transforming the strategic scene and making defense a crucial factor, perhaps even more important than deterrence.

We have known that is what Ronald Reagan thinks: Some years ago faith conquered whatever doubt may have been in his mind. The other day some of us got an up-close look at what the Kremlin thinks. A Soviet general visiting in Washington came to The Washington Post for breakfast. He thundered against the SDI, sounding in his judgments just as certain as Mr. Reagan that it would ultimately come to be.

Curiously, readiness to concede the eventual success of the SDI extends to some of the most pungent American critics of the way the administration approaches Geneva. Arnold Horelick, of Rand-UCLA, suggests in Foreign Affairs magazine that the prospect of "revolutionary breakthroughs" in defense is the greatest threat to arms control; he terms "impossible" the Reagan idea of negotiating offense down and defense up. But that prospect offers the best hope of breaking the stalemate, if the SDI is on the table.

A strange irony is at play here. Deterrence is timeless, road-tested, war-tested, the works — but deterrence still leaves many people scared and skeptical. Defense is new, remote, untested, far unfamiliar — but defense has quickly won an elite corps of believers, East and West.

Is it that people crave certainty, even an illusory or fearful certainty, to satisfy a sense that they must know what their fate is, regardless of its terms? Is it that the SDI satisfies America's sense of being a special place not subject to the familiar mortal perils and limits on human endeavor, and confirms for the Russians their sense of intrinsic U.S. menace and superiority? Could the Russians know something about the SDI's feasibility, or about relative technological control, that some Americans do not know? No matter. The administration appears intent

to preserve an opening for the SDI. It is going to Geneva prepared to forgo any possibility to limit the strategic and intermediate-range nuclear arms that have heretofore been the mutual U.S.-Soviet concern. If the cost is yielding the SDI.

The administration does not see it exactly that way. It expects the Soviets eventually to come to a "rational" conclusion that their national interest requires them to follow the American example and get out of nuclear offense and into nonnuclear defense. The Soviets insist they will beef up their offense instead, and they are expected to spend the next year or two battering the SDI in European and American opinion, but that is taken by the administration as a tactical program that Americans must calmly wait out.

Does the administration, in declaring the SDI not negotiable and in mortgaging all of arms control and much of the course of U.S.-Soviet relations to the SDI, know what it is doing? Does

Moscow, in giving voice to a tremendous alarm about the SDI, know what it is doing?

To a certain swath of Americans, nothing confers value on an arguable project so much as the spectacle of the Kremlin's hostile and perhaps disingenuous objection to it. The Soviet Union is fresh from a tremendous and costly misreading of Western opinion — its failed effort to balk deployment of new American intermediate-range missiles in Europe, while its own deployments continued. Has it, in its campaign against the SDI, launched into yet another frantic misreading of even greater potential cost?

In a democracy, where presidents are accountable to the people, defense against nuclear attack becomes, once it goes critical in public opinion, an extremely powerful idea — morally and perhaps politically irresistible. The dilemma arises from the pressures on Mr. Reagan to move the idea toward reality, without knowing if it has reality or whether the process of finding out may overwhelm the fragile U.S.-Soviet enterprise.

The Washington Post.

Something Better Than Another Button

THE starting point for any rational discourse on the Strategic Defense Initiative is a large dose of modesty in predicting what science can offer in the future. How many times has human ingenuity overcome human expectations and even expert predictions? Thomas Edison, for example, forecast: "Fooling around with alternating currents is just a waste of time. Nobody will use it, ever. It's too dangerous." This — and countless other examples — should be enough to raise questions about the so-called "experts" who say a strategic defense can never work.

Nuclear deterrence has worked, preventing both conventional and nuclear war for some 40 years. For the past few decades, however, its success has hinged on mutual assured destruction — the threat, in effect, to inflict unacceptable damage on the Soviet Union in retaliation for aggression. Such a dreadful "balance of terror" has naturally come under attack from people all across the ideological spectrum. Surely, if possible the president should have options — not just the one button. If another button — to destroy incoming nuclear weapons — might be feasible, should we not look into that possibility?

We envision the future of arms control in three phases. During the first phase, deterrence will continue to rest almost exclusively on offensive nuclear retaliatory capabilities — but greatly reduced levels of nuclear forces. This period could last 10 or 15 years, or longer, depending largely on strategic defense research. During the second phase, of indefinite duration, we would begin to move toward an ever greater reliance on defense. The last period would bring the complete elimination of nuclear arms.

This evolution will depend critically on cooperation by Washington, in consultation with key allies, and Moscow. This has begun and will rest in Geneva on Tuesday. Despite the profound differences between East and West, there is a shared opinion that we have to get on with reducing — and eventually eliminating — the nuclear threat. Getting back to basics, back to the offense-defense relationship, may be just the prescription for overcoming the impasse in arms control and paving the way for a far safer future.

Kenneth L. Adelman, director of the U.S. Arms Control and Disarmament Agency, writing in The New York Times.

Reagan's Nicaraguan Brothers Shoot at Newlyweds

By Anthony Lewis

BOSTON — General Washington and his men, on an expedition in Tory territory, came upon a wedding party. "Fire when ready," Washington ordered. "And be sure not to miss the bride." — Parson Weems, "The Life of George Washington," as revised by Ronald Reagan.

The Nicaraguan "contras" are the "moral equal of our Founding Fathers," President Reagan has said. They are "our brothers." They are "freedom fighters struggling for liberty and democracy."

On the day after Christmas 1984, those "freedom fighters" attacked a wedding party on the way home from church in the Nicaraguan countryside. They killed six people, including the bride. Why did they do that? Numerous reports on their activities make the answer clear: Their strategy is to terrorize the population.

Among reports published last week, one by Americas Watch, a human rights group based in New York, dealt with both the Nicaraguan army and the "contras." Abuses by the former have sharply declined since 1982, it found, but abuses by the latter are continuing and systematic.

There are gruesome stories in the Americas Watch report, corroborated by U.S. lawyers in interviews. The



It Is 47 Years Since the Anschluss . . .

By Frederic Morton

NEW YORK — Exactly 47 years ago, on March 11, 1938, my parents, my brother and I sat in our living room in Vienna and heard Chancellor Kurt von Schuschnigg's cry from the radio: "God protect Austria!" It was the day Austria died.

A few sentences earlier, he had said that German troops were crossing the border on the pretext of putting down Red riots throughout the country. My father turned off the set. There was silence in the street and around the table. He pointed toward the bedroom. I was a child, too young for politics, but we knew what he meant. The cook would come in soon to set out the chocolate cakes, and she was no longer the cook. She was the German in the apartment. We were no longer citizens at home but members of a cursed race. Jews must huddle in crevices until they could escape.

In the crevice that the bedroom had just become, my father said we must be calm; the Anschluss, the annexation, was not the end of the world. He had business connections in Sweden. We had relatives in New York. My mother said she was calm, but she must shop for spring wardrobe for the children to be ready for emigration. My brother, a tot, looked calm, but he did what I had never seen him do during his three hours at the end of the day. He began to play, hard, with his toy train.

I resolved to be calm. I went to my room. Without quite knowing why I drew out the top drawer of my bureau. Next to my marbles was a miniature American "football" shaped like a cone I had known — "football" being an American word for soccer, with its round ball, not for soccer, with its round ball, not for soccer, with its round ball, not for soccer.

It had been given to me by a gun-chewing cousin visiting us from a place so far away and unique it was called the Bronx. Until 7 P.M., March 11, 1938, this little leather item had been a souvenir. Then, within a second it became a talisman. It spoke to me of a wondrously crazy world where football could be played with such things in gigantic stadiums. The powerful absurdity of egg-shaped balls would save my family and me from the logic that had suddenly turned against us. And so I closed my fingers around the amulet and carried it through many shivering days that followed.

Somewhere in the turmoil between my father's arrest by storm troops and his release from Dachau, I lost the magic ball through a hole in my pocket. Yet I remembered it, the curve and texture of it, when we arrived in New York in 1940. I remembered its shape and its mystery.

As a high school kid in America I played a bit of basketball, some baseball, a lot of basketball, but I never found out why the Giants punted on fourth down. I did not want to reduce that game to the ordinary reality of rooting or betting. I wanted to keep seeing it as a very special paradox that hid inside its cavaness chase the grace of a secret ballet. That vision helped me preserve the idea of the prodigious possibilities of America.

The years went on. I became aware of America's Vietnam, international and domestic. I could still march on the Pentagon without losing my capacity to marvel at a nation that could mix violence and corruption with freedom and large-heartedness in ways as extraordinary as those that used a leather egg for a football.

A couple of weeks ago that capacity of mine gave out. Maybe it was one White House statement too many, declaring that the United States had "the moral duty" to change the government of a tiny country a thousand miles away in Central America.

Maybe it was the fact that neither I nor anyone else did much marching against such statements anymore. Maybe it was the realization that what I considered my tempered and sophisticated patriotism resembled a "good German's" piety.

Not that I see the United States as simply, and simplistically, the New World's Third Reich. But I have become subject to another thought: that I am part of a great empire whose behavior is logically and routinely imperial toward the weak inside and outside of its borders. And today I remember that Anschluss moment 47 years ago when I touched a tiny oval and experienced America as hope — fabulous, wild, uncompromised.

The writer is author of "The Rothschilds" and "A Nervous Splendor." His latest novel, "The Forester's Secret," deals with a Jewish family in Vienna. He contributed this to The New York Times.

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At Thai Border, Cambodians Settle Into a New Limbo

By Barbara Crossette
New York Times Service

SURIN, Thailand — They call it "The Border."

Nobody has to specify which border, although there are four in Thailand, none of them completely secure, because this particular strip of sun-scorched scrubland along Cambodia is more than an international boundary. It has become a separate world, a country within a country.

Life in the border area is dominated by armies: Thailand's, which controls its roads and issues its access permits; Vietnam's, whose tanks and artillery determine its moods, and a roster of irregular guerrilla bands, whose wars are waged from its sanctuaries.

Yet village life goes on. Clusters of small, weathered wooden houses in hills are home to rural people classified as "affected Thais," there are thought to be nearly 100,000 of them along the hundred-mile-long border.

At Ban Song, where the Thai Army has a temporary base, a woman named Bun Peng said she had heard the Vietnamese guns and saw the Thai troops had come. "I bring the soldiers mangoes and coconuts and sticky rice," she said. "Sticky rice, a rice sweetened with sugar, is a specialty of northeastern Thailand."

The people who most dominate the border region now, giving it with its limbo-like atmosphere and its distinctive economy — a blanket of international relief embroiled in makeshift free enterprise — are the refugees, hundreds of thousands of them.

For five years, the camps peopled by Cambodian guerrillas and their civilian followers were seasonal phenomena in Thailand.

They mushroomed in the winter season as Hanoi's troops bordered villages in guerrilla-controlled territory inside Cambodia. When the rains came in June or July, and mud slowed the Vietnamese Army, the Thai camps were abandoned and the resistance — men, women, and children — nudged back over the border into Cambodia to resume the war.

This year, the Vietnamese troops have moved into the recently evacuated Cambodian guerrilla settlements, apparently to stay.

The administrator at one of the Thai refugee sites was asked how long he thought his 20,000 Cambodian charges would remain in this camp.

"We're planning on this being permanent," he said.

A Cambodian woman, pointing to the edge of the site, said, "Sometimes we can hear the Vietnamese tanks rumbling over there. This year, I don't think we will go back."

The refugees have few choices. Thailand does not want them to settle here. Most reject the Phnom Penh government's offers of amnesty to return to Cambodia. Few, if any, have a chance of being offered asylum in a third country.

Journalists drive four hours from Bangkok to the border town of Aranyaprathet to cover the Cambodian war that can now be reported from only one side. A six-hour journey brings them to Surin, in northeastern Thailand, the center of the most recent fighting.

Maps are not much use since place names change and the places themselves appear and disappear with the ebb and flow of war.

The guerrilla armies define the unofficial "provinces" in this area, as they move back and forth across the border. South from Aranyaprathet to the Gulf of Siam is largely Khmer Rouge territory. To the north, as far as San Rong Changan, the non-Communist Khmer People's National Liberation Front is dominant. From there, farther east and north to Surin, the followers of Prince Norodom Sihanouk have their camps.

The civilian followers of the guerrilla armies, most of them recently driven from strongholds inside Cambodia by a Vietnamese offensive, live in tent cities that soon become villages of thatch and bamboo.

The bamboo, like almost everything that sustains life in the camps, is brought in by the UN Border Relief Operation, which was created in 1983 to oversee the distribution of World Food Program supplies and other social and humanitarian assistance to this region.

For the Khmer Rouge, who ruled Cambodia from 1975 to 1979 with a reign of terror that left at least one million dead, this year is also different. For the first time, they abandoned their mountain hideouts of Phnom Malai and Phnom Thmey to Vietnamese forces, scattered their troops in small units inside Cambodia and sent their families in large numbers to Thailand.

The Khmer Rouge had been secretive and austere in opposition, barring outsiders from their guerrilla settlements and prohibiting a black market in consumer goods that would have eased living conditions in their camps.

Now Khmer Rouge civilians, without the stern presence of their military leadership, are living in relative freedom.

At Khao Ta Ngoc, about 30 miles (48 kilometers) south of

Aranyaprathet, a reporter and a photographer wandered through their new camp, which houses nearly 40,000 displaced people, without hindrance or threat, talking with men and women through a Khmer-speaking Thai interpreter. Children came forward cautiously. Young men, who denied they were soldiers although some were wearing the Chinese-style uniforms of elite troops, came forward and answered questions.

Ruk Jont, 35, saying that he had been a Khmer Rouge soldier for more than a decade, brushed aside questions about Pol Pot, the guerrillas' leader. Instead, he conspicuously praised Prince Sihanouk as a "hero of the Khmer people."

■ **Guerrilla Leader Killed**
A leading Cambodian guerrilla commander has been reported killed, and fighting on both sides of the Thai-Cambodian border was continuing, Reuters reported Sunday from Bangkok.

General King Men was killed Friday when Vietnamese troops shelled the Green Hill guerrilla base in Cambodia near the Thai border, authoritative sources said. Fighting on both sides of the border showed no signs of slackening, they added.

Meanwhile, Thailand has rejected suggestions from Hanoi on ending the hostilities. The Vietnamese suggestions were conveyed by the visiting Australian foreign minister, Bill Hayden, who had been in Hanoi. The Thai foreign minister, Siddhi Savetia, told Mr. Hayden that Thailand would not consider suggestions for a peaceful settlement of the Cambodian conflict until Vietnamese incursions into Thailand were ended.

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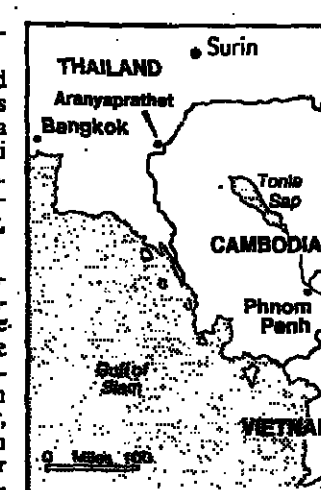
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Cambodian refugees resting near Surin before being moved deeper into Thai territory.

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WEAPONS IN SPACE / The 'Star Wars' Controversy

Reagan 'Star Wars' Vision Brings Strategic Doctrine, Alliances Into a New Era

(Continued from Page 1)

about the program are not getting much of a hearing in the inner councils. By almost all accounts, support for the program has become the touchstone of loyalty to the president.

In fact, whether some of these questions will be answered may depend on the purview of the debate. And that may depend on who defines its terms — the administration or its critics in Congress and the arms control field.

Officials acknowledge that the administration wants the vision to dominate what they see as a narrow and practical debate about research into promising technologies.

The critics want to cast the debate in the broadest possible terms now, before the program becomes enormous and politically inescapable.

Officials and critics alike agree that some research is desirable, if only on the ground of prudence and as a check against Soviet projects. Moreover, it should be pointed out that neither critics nor Soviet leaders who publicly argue for limits on military research have put forward a plan for monitoring work that for the most part occurs in laboratories.

Mr. Reagan opened the door to the larger debate when he unveiled his ideas on March 23, 1983. In calling on scientists to find ways to render nuclear weapons "impotent and obsolete," he said, "My fellow Americans, tonight we are launching an effort which holds the promise of changing the course of human history."

Mr. Reagan and his senior aides say by way of justification of the program that they want to escape the nuclear nightmare by going from deterrence based on offense or the threat of retaliation to deterrence resting on defense or the security of protection. On moral grounds, this is also consistent with positions on nuclear war recently taken by the Roman Catholic bishops of the United States.

It is precisely the problem that Mr. Reagan's predecessors from Lyndon B. Johnson on wrestled with. They all said "no" to making the transition from mutual assured destruction to mutual assured defense, in which attacking missiles would be destroyed before they could reach

the targets. Their objections were based largely on the ground that such defensive systems were not feasible.

Now, Mr. Reagan and many of his advisers maintain, this has changed. "Current technology," he said in unveiling his plan, "has attained a level of sophistication where it is reasonable for us to begin this effort. It will take years, probably decades, of effort on many fronts."

All the worse, charged a host of U.S. scientists, arms control specialists and the Soviet Union. Rather than a more stable and sensible peace, they argued, Mr. Reagan's vision would touch off a new and more dangerous arms race in space and succeed only in destroying prospects for arms control.

Soviet officials are saying publicly and privately that they will have to accelerate their research program and keep open the option of making more offensive nuclear warheads to overcome prospective defenses. They also express concern that once the research program gains momentum, future U.S. presidents will find it difficult to stop. They argue that a system to defend populations will not work, but they do tend to think it might be possible to build a limited system for the defense of missile sites.

Still, they do not want to open this door either. As for feasibility and rendering nuclear weapons obsolete, Mr. Brown, the defense secretary who is a nuclear physicist, spoke for scientists who are critics of the program when he wrote recently: "The combinations of limitations — scientific, technological, systems engineering costs — and especially the potential countermeasures make the prospect of a perfect or near-perfect defense negligibly low."

Lieutenant General James A. Abramson Jr., the director of the Strategic Defense Initiative, disputed this in an interview, saying: "There is very little question that we can build a very highly effective defense against ballistic missiles someday. The question is how soon and how affordable and what degree of effectiveness our initial steps allow us." As for those who disagree, he suggested that it was "because for a lifetime they have been dedicated to another idea and they are not very willing to accept a new thought process."

"What is really happening," he said, "is that there are a large number of dedicated, talented people working on this in government and industry. And when they all have a goal to march to, and that's what the president gave us, you just cannot stop the progress they are making and that progress is what's happening."

Officials say Mr. Reagan's 1983 speech was inspired in part by his monthly meetings with the Joint Chiefs of Staff, who proposed rethinking the idea of developing defenses to protect missile sites.

Mr. Reagan, in effect, enlarged this notion, and his speech was viewed by administration officials as essentially a way of telling them that this was one of his top priorities, perhaps his ultimate legacy. He made few concrete decisions about the program other than to approve an increase in spending of about 50 percent over six years, an increase from about \$20 billion to about \$30 billion.

His senior aides, many of whom acknowledged being taken by surprise, proceeded to fill in the blanks and push their own views, often in contradictory ways.

"It's all things to all people," commented Paul C. Warnke, a director of the Arms Control and Disarmament Agency under President Jimmy Carter. "To the president, it is saving people's lives. To Defense Secretary [Casper W.] Weinberger, it is a technological stepping stone from missile defense to the president's larger conception of immaculate defense. To others, it is simply a means of defending missiles. To some, it is a bargaining chip in arms control negotiations, while to others, including the president, it is untouchable."

As matters stand, the administration is asking Congress to approve \$3.7 billion this year, after \$1.4 billion last year, for research on what is envisaged as a three-tier defensive system.

The first line of defense would be in the three- to five-minute "boost phase" as a missile with its warheads is rising to leave the atmosphere. The second would be in the mid-course flight in space of about 20 minutes when the warheads or re-entry vehicles separate from the missile. The terminal phase is the last two minutes of flight as the warheads re-enter the atmosphere.

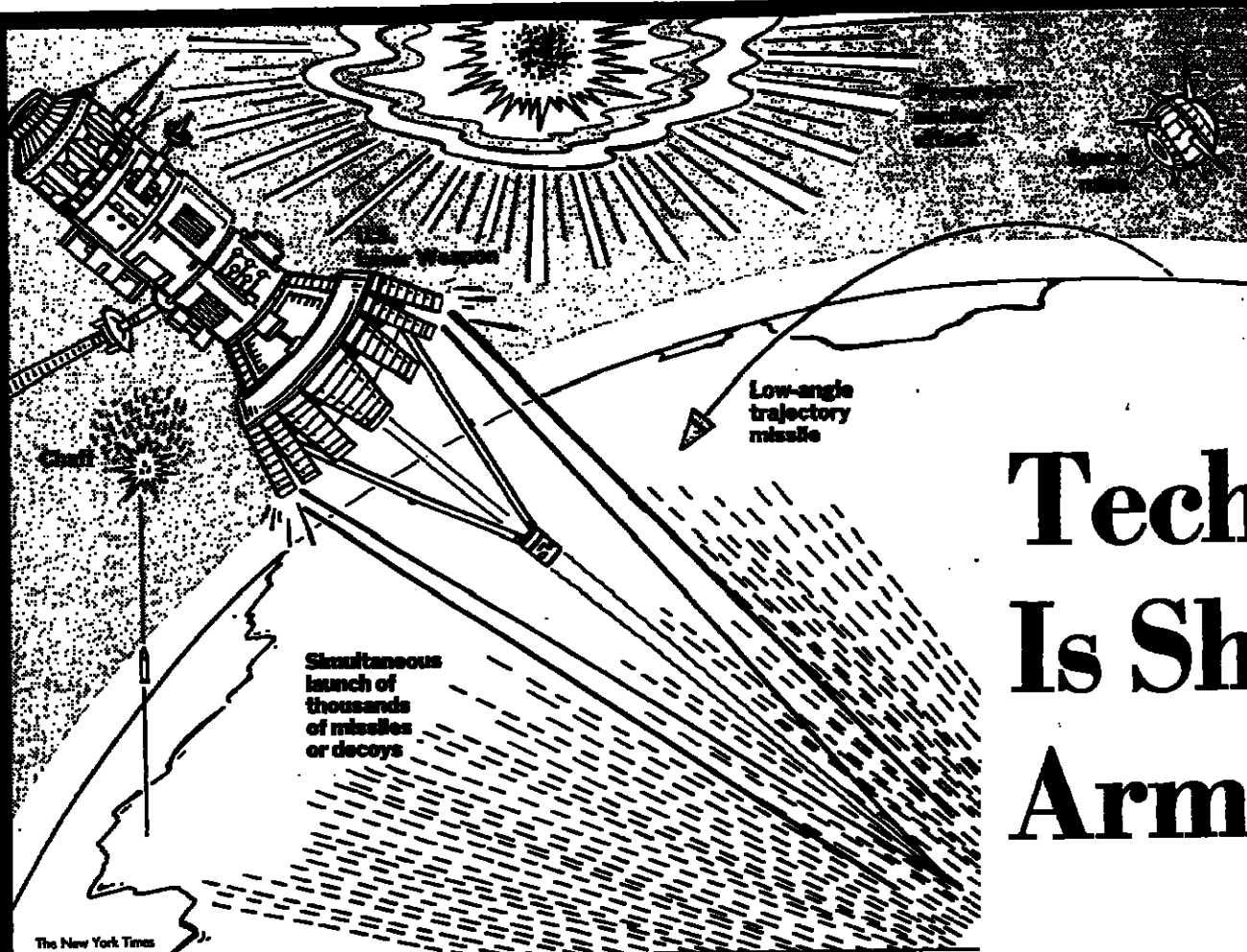
Broadly speaking, the technological innovations come for the most part in the first two phases. Here the administration is looking at an array of possibilities: space- and ground-based lasers, magnetic rail guns that fire projectiles at amazing speeds and directed beams of subatomic particles.

As the skeptics see it, this automatic and automated situation would require almost immediate reaction and could effectively remove the possibility of human decision — even by the president. And in the past, of course, even the 25-minute flight time of intercontinental missiles was regarded as short and always a matter of concern.

The terminal phase of the defense would use existing and more conventional technologies of firing a missile at an incoming warhead. Advocates say this technology could be deployed within a decade.

The administration remains divided on the feasibility and importance of the idea. At one end are the doctrinal purists such as Fred C.

(Continued on Page 9, Col. 6)



Research is being conducted on a U.S. space-based defense, right, that would attack strategic weapons at several stages of their trajectory. Such a defense is likely to involve technologies that are more complicated and considerably more expensive than the Soviet countermeasures, left, that are considered likely to be deployed against it.

Technology Is Shaping Arms Policy

Soviet May Choose Countermeasures and More Missiles

By Charles Mohr

New York Times Service

WASHINGTON — The Soviet Union is approximately equal to the United States in basic research on directed energy, like lasers and beams of subatomic particles, that would be required for a broad land- and space-based missile defense system, according to Pentagon reports.

But it is said to trail badly in the technology that would be needed to make such energy beams into workable weapons.

High-ranking Reagan administration officials now publicly express a belief that a U.S. drive to design a space-based defense against nuclear attack will eventually force the Soviet Union to give up its present reliance on offensive land-based intercontinental ballistic missiles and build a similar defense system of its own.

These officials say the result of the U.S. effort, made through its Strategic Defense Initiative, more commonly called "star wars," would be a more stable nuclear stalemate. In the view of several other experts on Soviet policy and weapons technology, however, the Soviet Union may instead multiply its present offensive missile force in the hope that it can saturate and overwhelm the proposed U.S. defensive shield. The Russians will also probably explore technologically simple and inexpensive methods of overcoming "star wars" defense, the analysts say.

In private, some government authorities agree that both the Soviet development and the U.S. Strategic Defense Initiative are more likely to reach a result opposite from that intended: encourage an offensive arms race, bring about the death of the 1972 treaty limiting anti-missile defenses and prompt a shift toward a more hostile, hair-trigger relationship between the two powers.

A series of interviews with experts on the Soviet Union both in and outside the U.S. government and a review of their writings and public statements shows a general belief that, eventually at least, the Soviet Union may also seek to build a defensive umbrella against intercontinental missiles.

In the next few years, however, according to some experts, the Soviet Union will probably take few dramatic or visible military steps to counter the professed intention of the Reagan administration to build a new and complex strategic nuclear defense.

The Russians already have by far the most extensive strategic, or long-range, defense system in the world. But it is known to be porous. It includes an air defense of 10,000 surface-to-air missile batteries and thousands of intercepter aircraft and a relatively primitive and rudimentary anti-ballistic missile defense in the Moscow area.

Defense Department officials say they do not believe these defenses could prevent penetration of the Soviet Union by low-flying bombers and cruise missiles or prevent a crushing blow by nuclear missiles. Nonetheless, they say they are worried that the use of mobile radars and "upgraded" surface-to-air missiles could be used in an effort to provide a nationwide anti-missile network now prohibited by treaty.

Speaking four days after President Ronald Reagan outlined his own hopes in March 1983 for a defense that would render nuclear weapons "impotent and obsolete," Yuri V. Andropov, then the Soviet leader, said, "Should this conception be translated into reality, it would in fact open the floodgates to a runaway race of all types, both offensive and defensive."

Sayre Stevens, a former Central Intelligence Agency deputy director and a consultant on national security matters, said of the administration's goal of shifting from a strategy of deterrence based on retaliatory offensive power to one of defense, "I don't quite see how you get from here to there." He predicted a period of strategic uncertainty.

Stephen M. Meyer of the Massachusetts Institute of Technology, a Defense Department consultant on Soviet military policy, said, "It's not going to be a race between our 'star wars' and their 'star wars,' but a race against our system and their efforts to overwhelm or neutralize it."

An increasingly frequent administration contention is that the Soviet Union is "doing more than we are" in the exotic technologies needed for a nearly leak-proof advanced defense.

Richard D. Delauer, a former undersecretary of defense for research and engineering, told Congress that although the Soviet Union "equals" the United States in directed energy research, it "lags in other technologies that are crucial" for missile defense.

He added, "We are ahead in computers, optics, automated control, electro-optical sensors, propulsion, radar, software, telecommunications and guidance systems."

The area in which the Soviet Union leads the United States is in large rockets with great throw-weight — the capacity to lift and propel great weight. But for lifting such things as

fuel and components for space battle stations, the U.S. space shuttle is regarded as more useful than large rockets.

But, despite an inferior technology base, the Soviet Union has always managed to match any major U.S. weapon innovation from early fission bombs to multiple warheads on missiles and high missile accuracy. The catch-up period has usually been shorter than U.S. policy-makers expected.

Statements regarding Soviet research and possible Soviet advantages are often difficult to double-check. Much of what is known about Soviet programs involves extrapolation from photo reconnaissance and electronic surveillance by U.S. satellites.

The Soviet Union has what is believed to be two large ground lasers at Sary-Shagan in Kazakhstan, as well as a vigorous research program in particle-beam acceleration. Almost all experts, however, describe the lasers and programs as "basic" research and not active weapons development programs. Pentagon documents speak only of "possible" military applications.

A half-dozen officials in the Pentagon and the Central Intelligence Agency said intelligence about Soviet efforts was scanty and ambiguous.

Mr. Meyer and John E. Pike, a space policy analyst of the Federation of American Scientists, a private group that studies policy problems arising out of science, used identical language in saying that American analysts tended to measure "input rather than output," because they are forced to do so. "The real question," Mr. Meyer said, "is what the Soviets are getting out of it."

The Soviet Union has been committed to a military doctrine called "damage limitation," which has not been embraced by U.S. officials until now.

A belief in the usefulness of limiting nuclear damage has meant that the Soviet Union has historically been willing to put into place — and to expend large amounts of money and manpower for — marginally effective military systems that clearly could not protect the nation from nuclear devastation.

The Soviet anti-ballistic missile defense around Moscow is an example. Although Moscow was permitted by treaty to build 100 ABM launchers, it constructed only 68. A wide range of U.S. government and non-government analysts say they believe the actual protection provided against a huge U.S. strike is close to zero, but the Soviet Union did not dismantle its system as the United States did in the 1970s.

According to intelligence reports, the Soviet Union is now upgrading the Moscow ABM network with rocket interceptors that are much faster than the original rockets, although still slower than U.S. Sprint rockets developed more than a decade ago.

The increased speed of the interceptors would apparently permit them to engage U.S. warheads after the warheads had re-entered the atmosphere, where they would strip away the cloud of U.S. decoys.

The Soviet Union has also made observable advances in phased array radars, which are steered electronically. Mechanically steered radars of the past are regarded as almost useless against a large swarm of warheads. But the Russians still trail in radar technology.

One Pentagon fear is that comparable improvements that permit tracking and engagement targets to pick up targets with low radar cross-sections — which is to say, U.S. warheads — and to make radars mobile or transportable will bring closer the possibility of a nationwide ballistic missile defense.

U.S. monitoring of the new generation SA-12 surface-to-air missile tests indicate that they have some potential anti-missile use, experts said, and could possibly be incorporated into a defense system.

Several other experts tend to agree with Mr. Meyer that Soviet policies regarding weapons development and deployment are different from those of the United States, and that if a true "race" develops the Russians are likely to be first into the field with rudimentary weapons.

"They have always been willing to field systems that did not work and then tinker with them through model changes and design innovation," Mr. Meyer said.

He even predicts that if the Strategic Defense Initiative provokes unlimited competition, the Russians "will be the first in space with a laser."

Mr. Meyer added that "it won't be an effective weapon," because the Soviet Union would still face the daunting problems of finding targets and pointing and tracking, which are far from solved by superior U.S. technology. "But it will be a laser," he said, "and it will drive Congress and officials here crazy."

Possible Soviet countermeasures against the U.S. Strategic Defense Initiative seem to raise more troubling questions for the short and middle term than a race for the ultimate defense system.

Indeed, it is the possibility of these measures that lies behind much of the uncertainty about the feasibility and ultimate reliability of the "star wars" proposals.

Paul H. Nitze, the administration's senior arms-control adviser, said last month that at least two "demanding" conditions must be met before even a technically workable nuclear defense system would be deployed.

He said that the components of the defense must be survivable against attack and that Soviet countermeasures must not be cheaper to put in place than the defensive shield. If Soviet countermeasures were cheaper, devices to penetrate a defense could be built faster and on a scale larger than the planned defense.

Experts outside the government, however, have for two years expressed belief that plausible countermeasures by the Soviet Union not only are likely to be cheaper, but also will involve technologies that, on the whole, are considerably more simple than the daunting problems of building an integrated, working defense.

Even scientists critical of the workability and desirability of "star wars" say most of the basic scientific principles are possible. But the scientists contend that fashioning these principles into a large-scale, reliable defense may not be possible.

The difficulties faced by the United States provide numerous opportunities for Soviet strategic thinkers and scientists to counter the Strategic Defense Initiative.

The difficulties faced by the United States in fashioning physics principles into a large-scale, reliable defense provide numerous opportunities for Soviet strategic thinkers and scientists to counter the Strategic Defense Initiative.

The "boost phase" aspect of the U.S. system, for example, might use chemical lasers that would destroy Soviet ICBMs in the first three to five minutes of their flight while the boost, or lifting, rockets were still burning. This would occur before the missiles had dispersed multiple warheads and before a cloud of decoys, chaff and aerosols could be

raised that might thwart U.S. defenses.

"One of the first things the Soviets could do," Mr. Meyer said, "is to drag out all of the 1,000 or more ICBM boosters they have lying around. They would not even need warheads or decoys."

He said launching such boosters along with armed missiles would automatically increase the number of targets, complicating the task of the U.S. sensors and defensive weapons.

And he said intelligence information indicated that the Soviet Union was continuing to produce about 150 modern boosters a year. By the time a U.S. system could be deployed, Mr. Meyer said, the Soviet "threat cloud" would be much larger than it is now.

Alternatively, according to Richard L. Garwin and Kurt Gottfried, who are physicists and leaders of the Union of Concerned Scientists, an independent organization of scientists concerned about nuclear war, the Soviet Union could seek to develop "fast-burn boosters" that would finish burning before leaving the atmosphere, where they are immune to present-day laser technology.

In the somewhat longer run, the Soviet Union could clearly increase its arsenal of actual ICBMs, fitted with both warheads and such "penetration aids" as decoys and chaff. The Defense Technology Studies Team that examined the "star wars" prospects for the administration in 1983 anticipated a possible expansion of the Soviet strategic arsenal, postulating that an actual U.S. defense should be able to deal with about 30,000 hostile warheads, more than three times the number now in the Soviet strategic arsenal.

This should not have been surprising. When the Soviet Union began building the relatively impotent anti-ballistic missile defense permitted under the 1972 ABM treaty, the United States increased its inventory of nuclear warheads from about 2,000 to about 7,000 in nine years. Most of these were multiple independently targetable re-entry vehicles, or MIRVs, which were developed in large part as a means of overcoming the limited Soviet defense.

While the availability and production of

fissionable materials place some limits on the growth of warheads, they are much cheaper than space battle stations and much faster to build, according to weapon technologists.

"Fractionation," or increasing the number of MIRVs carried by each missile, is possible, and it is easier for the Soviet Union because its large missiles have greater payloads. The Joint Chiefs of Staff told Congress that Soviet SS-13 ICBMs could be fitted with 30 warheads each instead of the 10 now permitted by an unratified arms treaty.

The Russians are also expected by most experts to step up the development — already under way — of cruise missiles and of airplanes and submarines with which to launch them.

Another Soviet countermeasure much discussed by weapons experts and strategic analysts involves firing ballistic missiles from offshore submarines on "depressed" or low-angle trajectories.

The use of such low-angle trajectories would mean that boosters and warheads would spend much less time in space outside the atmosphere and that the elapsed time from launching to target would be significantly less. These factors would considerably complicate nuclear defense.

"Precursor attacks" are another possible Soviet ploy, and in the view of some weapons experts, one of the most likely. In simple terms, they would involve detonating nuclear weapons in space to blind, cripple or destroy the defensive armada or else attacking the relatively delicate ground stations in the United States that will relay battle data to and from the defensive weapons.

Direct attack of the defense by anti-satellite weapons is another possibility. Mr. DeLauer told Congress in 1983 that it would be virtually impossible to install a space defense if the Soviet Union took military action to oppose that step.

"Space mines" are another widely discussed ploy. These would be satellites packed in orbit near U.S. warning sensors or space-based defensive devices. The explosive charges in such mines could be detonated by radio before, or during, an attack.

Or, experts said, missile boosters could be spun at several revolutions per minute. This would require a large increase in the power of defensive lasers, since the beam could dwell on an area of the rocket for only a short time.

Easier still would be an increase in Soviet measures for "passive defense," such as further reinforcement or hardening of missile silos, dispersal of vital facilities — everything from industry to command-and-control bunkers to transportation — and civil defense.

No one professes to know which, if any, of the more plausible countermeasures the Soviet Union might seek to employ. But, in part, this uncertainty grows out of uncertainty about the U.S. intentions.

In the Reagan administration, officials have made some ambiguous and contradictory signals as to the actual goal of the Strategic Defense Initiative. They have alternated between describing it as a "thoroughly reliable" system to protect the U.S. civil population and the easier-to-achieve protection of missile silos and command posts.

In any case, some analysts say they doubt the program will have the desired strategic and political effect on Soviet leaders, and cite Soviet statements to underline this doubt.

Ronald S. Sagdeyev, director of the Institute for Space Research of the Soviet Academy of Science, said recently that "it is plainly irrational to build up defensive systems and expect the other side to limit offensive weapons."

A senior member of the Soviet Politburo Vladimir V. Shcherbitsky, told President Reagan in a meeting Thursday that Moscow would respond with "both offensive and defensive" measures if the United States went ahead with the Strategic Defense Initiative.

Some analysts say they fear the worst effect of the U.S. defense initiative may be on Soviet nuclear strategy and planning, rather than on technological innovations.

A report on the Strategic Defense Initiative written by a commission of which Mr. Sagdeyev was co-chairman said that "although it cannot be regarded as an effective means of defense against a massive first strike, it may create illusions about possible defense against the retaliatory strike."

This conclusion is in close agreement with the opinion of several U.S. scientists and Soviet affairs analysts, who say they believe that while a defensive shield is under construction or even when completed, it will be seen by both sides as more useful in handling what is called a "ragged response" by a nation whose nuclear forces have been badly damaged in a first strike.

Such thinkers therefore believe that missile defense would be seen in both Moscow and Washington as encouraging first-strike strategic policies and would hurt rather than help deterrence.

Allies Now Appear Less Critical Of Space-Based Defense Systems

(Continued from Page 1)

the closest and most confidential consultations because of its far-reaching implications for our security."

He said the plan had helped to bring the Soviet Union back to arms negotiations, and noted that it "seeks to shift the balance from offensive nuclear weapons to defensive conventional weapons."

As for the French, they remain publicly critical of any defensive systems in space (which, in the long run, would make the French nuclear force obsolete), but they have signaled privately that they are not going to oppose the research.

At the same defense seminar in Munich, France's defense minister, Charles Hernu, said, "The strongest probability is still that the deployment of defensive systems would relaunch an offensive arms race."

But France's minister for external relations, Roland Dumas, said recently that the program "is a seductive philosophy; it can please public opinion. But we need to talk more about this idea."

The drift in France toward accepting the feasibility of the initiative was apparently reflected last week in a call by a French general for Western Europe to develop its own space-based missile defense program. The general's remarks were contained in a front-page article published under a pseudonym in the newspaper Le Monde.

Lord Carrington, secretary-general of the North Atlantic Treaty Organization, has also said he supports the research program.

The support for the research has become firm at an important time. A number of analysts, including Thierry de Montbrial, director of the French Institute of International Relations, see the possibility of a Soviet attempt to mount a new psychological offensive aimed at Europe in connection with the Geneva talks. Mrs. Thatcher, in Washington, said flatly, "We shall face such a move."

One Soviet gambit being discussed would link a Soviet offer to drastically cut or eliminate the SS-20 missiles aimed at Western Europe in ex-

change for cancellation of the Strategic Defense Initiative and the removal of the Pershing-2 and cruise missiles the NATO allies have deployed as a counterforce against the SS-20s.

The likelihood of an official Western rejection of such a proposal seems clear, since the Europeans have tacitly supported research on space-based systems and Mr. Reagan has specifically excluded research on the program from the Geneva bargaining.

But a Soviet offer to trade SS-20s for a U.S. defense system that may never succeed would tempt many Europeans, and test Mr. Kohl and Mrs. Thatcher.

Over the last months, the European peace movement has been very quiet as the NATO deployment went forward without an increase in international tensions, and resumption of the arms control talks was announced.

"Star wars" has been a difficult issue for the movement because the proposed system has few emotional hooks for the public. Defense, disembodied, and for the most part nonnuclear, it is stationed in space rather than Belgium or Britain.

But the notion of a tradeoff offered by the Soviet Union could be a new rallying point. Frank Allau, vice president of Britain's Campaign for Nuclear Disarmament, has described reported Soviet hints about such an offer as sounding "generous and sensible to me."

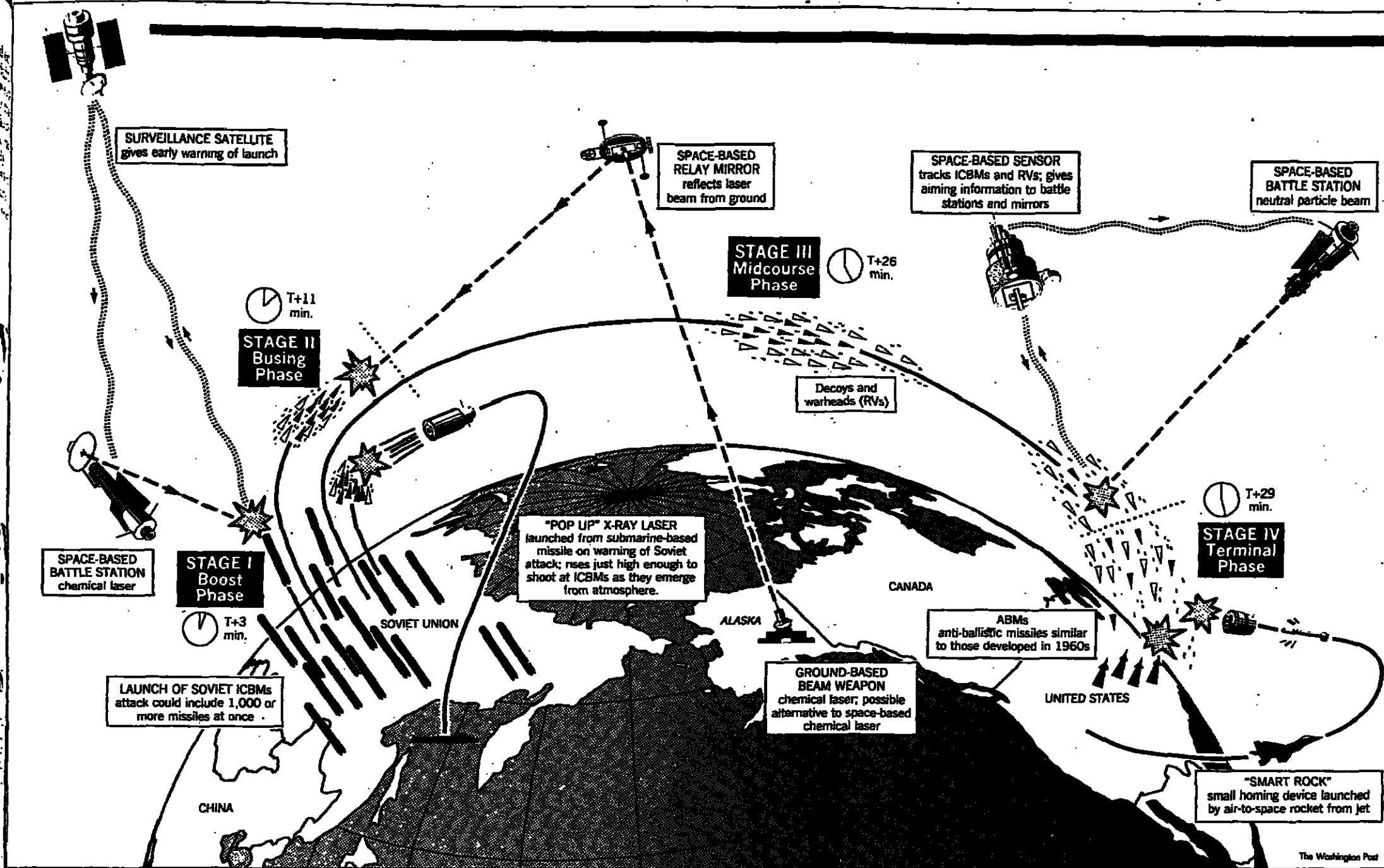
To the extent that they are willing to defend — or not oppose — the research on space-based missile defenses, the allies have made clear that their success in countering a political offensive will depend in part on the Americans' ability to present the plan in a consistent manner.

So far, this has not been the case. The administration seems to have had trouble making up its mind whether the goal is total protection from nuclear attack, or a disincentive against pre-emptive first strikes.

Under the circumstances, the skepticism and uncertainty that the allies have felt from the start in relation to the missile plan has not dissipated.

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WEAPONS IN SPACE / The 'Star Wars' Controversy



For U.S., Path to 'Star Wars' Is Strewn With Engineering Obstacles

By Wayne Biddle

WASHINGTON — Hidden in the rocky canyons of the Santa Susana Mountains outside Los Angeles is the nearest thing to a "star wars" laser base anywhere in the Western world. Its code name is Sigma Tau.

This is as close to weaponization and as far from the laboratory as you're going to see without full-scale development, said Bill Robinson, director of laser programs for the Rockwell International Corp., which began Sigma Tau secretly for the Air Force in 1976.

Two years earlier on the same site, Rockwell used its own money to start building a high-energy laser called Rachel, which the corporation describes as the forerunner to the Strategic Defense Initiative, popularly called "star wars," which the government is proposing to spend \$30 billion in the next five years.

Until Mr. Robinson led a reporter on a tour recently, no one outside military circles had been permitted to examine the huge mountain-top site of Sigma Tau.

Part of Rockwell International's mission is to demonstrate how to build lasers whose resonators — a component that helps extract intense beams of light from chemical reactions — are compact cylinders instead of long, narrow tubes. The goal is to find ways of someday packaging such objects into as small a volume as possible. Mr. Robinson said, with the space shuttle cargo bay a convenient unit of measure.

Lifting the curtain of secrecy around Sigma Tau was part of access to "star wars" work at the commercial level recently granted by the Pentagon's SDI office and the military service branches. In interviews with engineers in the military industry across the country, all of whom were allowed to speak publicly for the first time about their work, there were among the major points:

• The Reagan administration's optimism about developing a defense against nuclear missiles is supported, in part, by years of industrial research and actual weapons-building. But the industry has only the most rudimentary engineering ability in many crucial areas.

• Assuming that the primary components of an effective anti-missile system — lasers, rocket interceptors, sensors, computers, and power supplies — can be reliably manufactured, putting much of this equipment into orbit around the Earth and maintaining it there year after year represent additional challenges of uncharted dimensions.

From Bethesda, New York, where engineers for the Grumman Corp. have been studying space-based radars for a dozen years, to Orlando, Florida, where the Martin Marietta Corp. is trying to push its 1960s-vintage missile interceptors into the next century, to the West Coast, where companies like Rockwell, TRW, and the Boeing Corp. have been building lasers, power supplies, and sensor devices for more than a decade, there is no doubt that "star wars" is far more than fantasy, or at least more than the political gambit that some have suggested it is.

Unlike their scientific colleagues at national laboratories like Los Alamos and Lawrence Livermore, however, the engineers are faced with having to make business decisions. At a time when activity on conventional military programs is already booming and highly trained technologists are in short supply, capitalism has lent a sobering dose of reality to the science-fictional promise of "star wars."

At Grumman, where profits have customarily come from building warplanes for the navy, a small group of engineers has been steadily working on a type of radar antenna, called "space-fed," that might offer the size and weight advantages necessary for operation in space. In the last decade, the government has spent about \$15 million on Grumman's work on space-based radar, with the company also investing some money.

Although less glamorous than the big lasers that have given the SDI its popular sobriquet, radars that operate from satellites and that can create detailed images of thousands of targets simultaneously at great distances are a linchpin of any future anti-missile system. Existing ground-based radars such as the elaborate network operated by the North American Air Defense Command have little technical relevance for such systems.

While conventional radars rely on a reflector dish or labyrinthine cable tubing to trans-

mit and receive electronic signals, Grumman's space-fed array uses a flexible plastic membrane, embedded with many tiny antennas, that can be unfurled like a window shade. These antennas radiate radar energy from a solar- or perhaps nuclear-powered source at the end of an extended mast over the membrane, hence the term space-fed.

"This type of antenna is an order of magnitude less sensitive to structural deformations" than radars like the powerful Aegis array developed by the navy for ship defense, said Robert Mannis, a Grumman radar engineer. "It's very lightweight, but it isn't delicate."

Low mass would be a crucial advantage in enabling a radar satellite to perform evasive maneuvers in a combat situation, and the ability to withstand forces that could bend or damage it and still produce accurate signals is important for such antennas that must create precise images of targets as small as nuclear warheads.

"I don't think it's unreasonable that in 10 years you could" put an operational space-fed antenna in orbit, said John Diglio, director of the company's space-based radar program. "Technology-wise, many of the key points have been demonstrated."

But the Grumman antenna, he said, would have to be the size of several football fields to provide the resolution needed to track warheads. The largest device built and tested so far is only 10 feet (three meters) square.

"To say it's simple would be incorrect," said Mr. Diglio, of expanding the model to a full-sized "star wars" antenna. "One could go out and build just an antenna — it wouldn't be much of a problem. But one wants to develop a whole satellite that deploys, possesses all the structural and survivable properties."

As in other areas of space weaponry development, it is this process of scaling up that remains an engineering quandary. The academic science and technology needed to conceive a prototype may exist, but the path toward real-life hardware is for the most part unexplored.

At Martin Marietta, engineers hold the advantage of a corporate history that includes having actually built and tested a full-scale anti-missile interceptors for the army.

Called Sprint, after its ability to reach high-altitude targets only seconds after launch, the missile was first launched successfully in 1965, less than three years after design studies began. It was retired by the mid-1970s, however, along with the rest of the nation's Safeguard anti-missile system, which was judged to be too costly and ineffective.

"We have just completed a seven-month concept definition" of new interceptors, said Joel Strickland, technical director of Martin Marietta's effort to win an army contract for interceptor development.

"We approached it with a little bit of the same fear and trembling that was in the introduction to Sprint," he said.

"The real nut," he added, "is nonnuclear engagement."

By nonnuclear engagement, Mr. Strickland referred to the fact that unlike Sprint, which carried a neutron bomb to destroy incoming targets within the Earth's atmosphere, the proposed Strategic Defense Initiative interceptors, a self-propelled rocket, would rely on a conventional explosive so as not to black out its tracking radars.

The difference in guidance accuracy is formidable: Sprint needed only to arrive several thousand feet, about a kilometer, away from its target, but the new interceptors must approach within several yards, or meters.

"That has yet to be demonstrated," Mr. Strickland said, "and there are people who won't believe it until it is."

Martin Marietta's Orlando division is also drawing upon its experience in building so-

Attackers Could Bypass Shield

By Joseph Fitchett

PARIS — The defense initiative known as "star wars" is intended to defend against a strike by strategic missiles, but it is not a perfect shield against nuclear attack.

For example, it will not protect a U.S. city against a nuclear bomb carried in a suitcase, which weapons technology has made possible. And a much more serious threat is posed by low-flying cruise missiles, which could slip through planned U.S. strategic defenses.

A bomber is a problem of terrorism, not nuclear strategy. The usual antidotes are: preventive intelligence, anti-terrorist measures including teams trained in bomb disposal and other special tactics, and the threat of reprisal.

As a strategic option, nuclear terrorism is considered improbable. It is considered impossible to smuggle large numbers of nuclear devices into military areas of the United States or of the Soviet Union. So even a government that resorted to a wave of suitcase bombs would face massive reprisals.

A much more considerable problem involves cruise missiles, small and maneuverable rockets that could be launched in

"swarms" from low-flying bombers at U.S. cities or nuclear bases.

Disguised by "stealth technology" to hide them from radar detection, cruise missiles, following the terrain closely as they maneuver toward their targets, could theoretically slip in under the "star wars" shield.

Space-based defenses are intended to intercept ballistic missiles, which arc through space on their trajectories. Short-range systems, such as cruise missiles, or even nuclear-armed battlefield weapons, such as the French-made Exocet missile, that could be launched from submarines in coastal waters, are much harder to intercept and destroy during their short flight times.

This could only be accomplished by developing a new form of the continental air defenses dismantled by the United States in the 1960s. These defenses included a dense nationwide network of radars, missiles and interceptors, and the expense of replacing them has been estimated at \$50 billion a year.

But these smaller missiles, even though they could pose a devastating threat to civilian populations, lack the accuracy and payloads to threaten either superpowers' nuclear strike force and decisively upset mutual deterrence.

Of all the contractors at work on anti-missile weapons technology, Rockwell's Rocketdyne division in Los Angeles is among the most deeply involved. Over all, the corporation's work for the Strategic Defense Initiative was worth about \$50 million last year, most of that money coming from government contracts.

"Star wars" didn't all of a sudden come upon us," said R.D. Paster, Rocketdyne's vice president of advanced programs. "Rocketdyne has been involved in technology in that area for over 10 years."

Mr. Paster said that from an engineering standpoint, "we probably know more about how to do the job with electromagnetic launchers and can foresee the types of problems we'll have than we can with a directed energy system."

He noted that directed-energy devices, including lasers, "still have a lot of physics to work out."

Chemical lasers, like Sigma Tau, get their energy from combustion of fuels similar to those used in rocket engines. Large portions of the energy produced by these chemical reactions are lost as heat. But significant amounts can be extracted in concentrated beams of "coherent" light, using a system of mirrors and resonant chambers.

Lasers are envisioned mostly for use in space, since the atmosphere can absorb their energy or disrupt the light beams in various ways. Another proposal is to keep the laser and its fuel supply on the ground, and reflect its beam from a series of mirrors in space to the target.

Sigma Tau's fuel produces relatively low-energy infrared beams, compared with what would be needed to destroy enemy missiles. Indeed, chemicals that would create the high-energy beams needed for weaponry are as yet unproven, though Mr. Robinson said that this "Holy Grail is almost here."

Rocketdyne is also developing a source of electrical power for use in space, one of the most critical yet little discussed aspects of the "star wars" dream.

"We're in a situation where you might have 40 spacecraft, different types that you would want to join to, and it's got to meet the special needs of each one," said Bob Anderson, program manager for space nuclear power. Weapons generally require huge pulses of electricity, whereas radars or computers run steadily at a lower level, rather like home appliances.

"Power is definitely an enabling technology for many of the weapons," Mr. Anderson said. "The total power area is not solved by any means, especially in the very high powers and high currents. There we're not yet into as many engineering decisions as we are in what we call 'hotel power,' which keeps all the backup capability going — data processing,

cooling, et cetera. That area is very touchy."

To help solve the power problem, the Pentagon has announced the creation of a \$19 million, four-year research program at a consortium of five universities. Lieutenant General James A. Abramson of the Air Force, director of the SDI, said the group would "address critical problems associated with the issues of nonnuclear space power."

Rockwell's main competitor in the chemical laser field is the TRW Corp., which is working on two large devices of the same class as Sigma Tau. One, called Miral, was the first laser to produce more than a megawatt of light energy. In theoretical discussions, laser weapons of about 25 megawatts output are assumed.

The other device, known as Alpha, is only six months past the ground-breaking stage of construction, according to Bob Walquist, TRW vice president and program executive on SDI projects.

The X-ray laser, which was developed at the Lawrence Livermore National Laboratory in California and which is triggered by a nuclear explosion in space, was the device that initially gave scientists confidence that a missile defense system could be deployed in space.

One proposal is to deploy X-ray lasers aboard U.S. submarines, from which they would "pop up" upon warning of a nuclear attack. They would strike Soviet missiles just as they emerged from the atmosphere in the "busing phase" of their flight and released a "bus" of warheads and decoys.

The Reagan administration, however, in recent months has emphasized the nonnuclear nature of its proposed defense system. In part because of the necessary nuclear explosion, the X-ray laser has fallen out of favor as the laser of choice.

Particle beams are also often mentioned in the directed energy category of possible weaponry in the Strategic Defense Initiative. These are not lasers. Instead of sending intense light energy toward a target, they would fire streams of atoms or subatomic particles at nearly the speed of light. In contrast to a laser, which destroys or damages its target by irradiating its surface with light, particle streams would actually penetrate a target, disrupting its electronic circuits, inflicting structural damage, or perhaps detonating chemical explosives meant to trigger atomic reactions in a warhead.

Particle-beam technology is generally regarded as even more rudimentary than laser weaponry, and most of its design is being undertaken not by industry but by government laboratories. At Lawrence Livermore, scientists are at work on a \$50-million machine called the Advanced Technology Accelerator, which stretches for hundreds of yards.

In addition, the Los Alamos lab in New Mexico is building a particle-beam accelerator known as White Horse, and the Sandia National Laboratory in New Mexico is using particle technology developed in the search for fusion energy in an attempt to create particle beam weapons.

Perfection of new supercomputers is another requirement of the Strategic Defense Initiative. Vast, elaborate, and second-by-second tracking, aiming, firing, and coordination of various phases of the whole system would, of necessity, be handled by the most sophisticated of computers. To do the job, computer software containing on the order of 10 million instructions would have to operate flawlessly. By comparison, the final nine minutes of a space-shuttle launching, when all operations are under automatic computer control, take about 88,000 instructions.

TRW is involved in this area, along with such well-known computer companies as IBM and Honeywell, in studying how to command and control a vast anti-missile network whose entire battle engagement would last less than 30 minutes. "The 10 million lines of code is something that 10 years ago would have been impossible, today is impractical, but tomorrow with the development of programming aids is going to be within the realm of possibility," Mr. Walquist said.

As for the overall system, however, he was not as optimistic. "Right now," he said, "I think the whole area of what is going to be done in response to SDI is still really up in the air."

Defense Plan Raises Doubts About Keeping Nuclear Balance

(Continued from Page 8)

Idle, undersecretary of defense for policy, who said recently: "The Strategic Defense Initiative is not an optional program, at the margin of the defense effort. It's central, at the very core of our long-term policy for reducing the risk of nuclear war."

Like the technological optimists such as General Abramson, they believe not only that it can be done, but also that it must be done.

There are also those who would wait and see, such as Paul H. Nitze, the primary arms control adviser to Secretary of State George P. Shultz. In a recent speech, Mr. Nitze stated, "Quite frankly, it may prove impossible to obtain."

No longer is any official saying publicly what Richard D. DeLauer, former undersecretary of defense for research and engineering, said in 1983. "This is a multiple of Apollo programs" in terms of the technological advances required, he said, and if it is deployed, Congress will be "staggered at the cost." Still, some officials privately believe this to be the case.

The basic doctrine behind the administration's position is that the United States cannot be sure mutual assured destruction will work into the next century and that it must be replaced by mutual assured defense.

The centerpiece of the nation's strategic thinking until now has been the Anti-Ballistic Missile Treaty of 1972, and for now it continues to be. This limited the superpowers to no more than 100 defensive missiles, all defending one site. It was taken by Washington to mean that both sides accepted the doctrine of mutual deterrence through retaliation and that neither would do anything to take away the other's ability to retaliate devastatingly.

The administration is saying that quantitative and qualitative improvements in offensive weapons, particularly in the powerful and accurate Soviet land-based missiles, are threatening to neutralize the U.S. retaliatory capacity.

Thus, their argument runs, Washington must build better offensive systems or defensive systems or both.

The administration is proposing to do both. It is building offensive weapons such as the Trident-2 and cruise missiles, which would have the accuracy to strike hardened targets such as missile silos and command centers, not just cities.

The United States is pushing these programs even though the president's Commission on Strategic Forces said the so-called window of vulnerability that they were designed to overcome had been overestimated. And the Pentagon recently accepted the validity of the "nuclear winter" theory, that says the smoke and dust from even relatively few nuclear explosions might shut out enough sunlight to end human life on the planet.

Whatever the reality of the strategic balance the new offensive weapons produce, officials say, the perception of Soviet superiority will remain because of the powerful land-based missiles. This perception, they contend, would put presidents in a weak position in future crises.

The officials argue that greater and greater offensive power will only make the nuclear balance more unstable. Thus, to them, defense against attacks on missiles — from small or accidental attacks to all-out attacks — is the only moral and practical answer.

The real fear felt by critics is that the side that got to the optimal mix first might reason that it could destroy most of the other side's forces in a first strike and blunt the retaliatory blow with defenses. This, in theory, would make nuclear war "rationally" thinkable for the first time.

Mr. Reagan and others say the transition could be managed through arms control negotiations by agreeing on what to deploy and when. Officials say he no longer is willing to share the technology with Moscow because it could be put to many other military and civilian uses. Critics argue that such negotiations would be far more difficult than anything yet undertaken with Moscow.

While critics take the administration's line to mean that a change in doctrine has already occurred, officials say otherwise. Richard N. Perle, assistant secretary of defense for policy, said in a recent interview: "It is not true that we've already made the decision to abandon mutual assured deterrence or the policy that seeks to achieve security by the threat of retaliation. That will still be with us for years."

There is also concern that uncertainty about U.S. defense plans will complicate and perhaps undermine the chances for progress on arms control.

Administration officials maintain that Mr. Reagan's defense initiative brought Moscow back to the bargaining table it left in late 1983 when the first U.S. medium-range missiles were deployed in Europe. They also argue that the specter of competing with the United States in this area will drive Moscow toward concessions on reducing offensive forces.

The officials have said that when Soviet and American negotiating teams convene in Geneva on Tuesday, the Americans will try to persuade the Russians to accept a three-stage approach: radical reductions in offensive forces, then a transition to a mix of offensive and defensive weapons and finally the total elimination of nuclear weapons and deployment of full-fledged defenses.

As explained by the administration, bargaining leverage would be derived from Moscow's fear of engaging in an all-out technology race with Washington. At the same time, the officials acknowledge that this leverage depends on how much Congress supports the strategic programs — the Strategic Defense Initiative and the MX missile in particular — and that congressional support depends on the sense that the administration is negotiating in good faith.

So far, Moscow has totally rejected the administration's approach. The Soviet position is that Moscow will not commit itself to a radical reduction in offensive forces until it knows that defenses will be limited.

There matters stand on arms negotiations, with neither U.S. nor Soviet officials evincing much optimism that they will be able to solve these prevailing views on negotiations.

The prevailing view in the administration is that whatever effects defensive prospects ultimately have on negotiations, the immediate effect has been to create a deadlock.

Tuesday

Members of Congress and experts outside the government are asking whether the Strategic Defense Initiative is setting the nation on a new strategic course before the future implications can be fully considered. One question is whether the elements of the plan could readily be used for offensive warfare.

PERSONAL INVESTING

INVESTOR'S Notebook

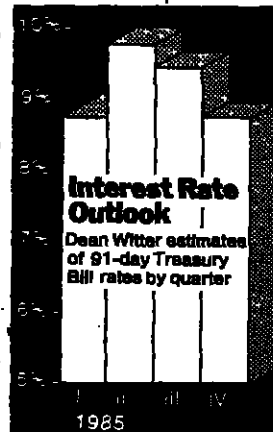
Interest-Rate Scenario

Economists at Dean Witter Reynolds see the latest U.S. interest-rate rise as a temporary phenomenon. Between now and the end of the third quarter, they expect the rate increase to be propelled by a strong economy and increased demand for credit. For the next six months they also expect a tightening of Fed policy, an easing of consumer spending and corporate cash flow, and the beginnings of a weaker dollar.

By the end of the third quarter, however, the Dean Witter economists expect the U.S. deficit problem to be dealt with in a significant manner—a trimming of \$40 billion to \$30 billion a year for the next three years. When that happens, they say, interest rates will drop and will continue dropping.

Steve Stiller, senior vice president of Lehman Government Securities, sees a similar movement, but puts more emphasis on consumer spending. He expects interest rates for the first half to be relatively unchanged or, at most, to inch up slightly. But he expects interest rates to drop after that.

"I can't see the consumer continuing to spend as heavily as he has been," he says. By the third quarter or later, he predicts, the consumer will begin to borrow less, cutting into gross national product and money-supply growth. As money-supply growth moves to the low end of the Fed target, he says, the Fed will ease credit and interest rates will slide.



The Platinum Play

Among platinum's traits, notes Bette Raptopoulos, senior metals analyst at Prudential-Bache Securities in New York, is its volatility. "It can be said to outperform gold," she says, with deeper declines and steeper rises. Another difference is that platinum has more industrial uses than gold. But platinum shares gold's tendency to move inversely to the dollar.

This bundle of traits makes it likely that platinum will move up faster than gold if, as Ms. Raptopoulos expects, the dollar eases and gold begins to rise. But before that happens, she says, platinum, now trading at around \$244 an ounce, could slide to about \$200. She then sees platinum rising in the balance of the year to around \$300 or \$350.

One of platinum's chief industrial uses is in catalytic converters, which are used to control auto-emission pollutants. Long required in the United States, such controls are now being adopted in Japan and are being considered for use in West Germany in 1986. The metal is also used as a catalyst in oil refining and is popular in jewelry, particularly in Japan.

Closing a Tax Dodge

The Reagan administration is proceeding with a plan that will require foreign investors in U.S. stocks and bonds to furnish residency certification from their governments.

Several European banks, concerned about violating secrecy laws, have objected to the proposal. But a spokesman for the Internal Revenue Service said he does not expect the opposition to result in substantial changes to the plan, which was first proposed last September.

Under the plan, foreign investors would be required to obtain a certificate of residency from their local tax authority to qualify for lower withholding rates in the United States. Under current procedures, investors in countries where the U.S. has a tax treaty can avoid paying the 30-percent withholding tax by providing a foreign address and stating that they are not U.S. citizens.

U.S. tax authorities suspect the regulations are being abused by U.S. residents using foreign banks as a tax dodge, and by residents of non-treaty countries.

A Tale of Two Markets

The Chicago Board of Trade's plan to offer a futures contract on the Financial Times-100 share index presents "a very interesting scenario" for U.S. investors, says John Wolff, senior vice president at Donaldson, Lufkin & Jenrette. For the past few years, the U.S. stock market "has become almost a currency hedge for foreigners," he says. Now, the coin is about to flip.

He notes that with the dollar as high as it has been, foreign stocks have become extremely undervalued relative to the U.S. currency. Futures in foreign-stock indexes, Mr. Wolff says, thus represent a good investment vehicle by enabling Americans to invest their very strong dollar in an undervalued asset.

UNDS

Reassessing Japanese Specialty Funds

By Terry Trucco

AFTER two years of stunning returns, offshore funds that specialize in Japan's small companies are showing signs of fatigue. Today's volatile mood on the Tokyo Stock Exchange and the market's renewed fascination with bigger companies, analysts say, are partly to blame. There is also a feeling that many of the smaller concerns will not be able to duplicate kind of growth that drew the funds in the first place. Since 1980 there has been a proliferation of specialty funds allowing foreigners to invest in certain growth areas Japan's mature economy. Initially, most fund managers were attracted to lesser-known technology companies, but they have since branched out into pharmaceuticals, new materials and other areas.

"We recognized that this is where we can make the most gain," says Peter Pleydell-Bouverie of Grieson Grant Co. in London, which last year initiated a new small sense fund.

Capitalized at just \$7.5 million (\$7.9 million), the fund's strategy is to identify small companies with growth potential as well as spot undervalued shares "so out of the right they're hardly talked about," such as nonferrous metals, says Mr. Pleydell-Bouverie.

The more aggressive general funds dip into second-tier companies from time to time. Fidelity International's non-based Japan fund, which has finished at the top of the company's trusts for three years, invested heavily in semiconductor stocks in 1983, but switched last year to technology and pharmaceuticals.

Another approach to the specialty sectors is pursued by G.T. Honsin Pathfinder Fund. Launched in 1982, it hopes to capitalize on the prevailing trend towards diversification into new products and new markets in existing companies. Small companies can have big potential. Ando Electric,

which makes testing equipment for integrated circuits, climbed to 12,000 yen (\$45.90) a share on the Tokyo Stock Exchange last year, although it has recently slipped to about 10,000 yen. It traded at 674 yen in 1979.

On average, the performance of the funds has been (Continued on Page 14)



An engraving of Shakespeare on a folio of plays to be auctioned by Sotheby's New York in April.

Next Month

The revival of world stockmarkets has brought a surge in the variety of funds available to the international investor. While the growth in the number of funds has given investors access to a wider range of markets, it has also complicated the task of selection. The next *Personal Investing*, to be published April 8, looks at the key decisions in choosing a fund and some of the common pitfalls. The report will include a look at Hong Kong-based funds. Also coming next month:

■ With the American Telephone & Telegraph divestiture more than 14 months old, the spun-off operating companies have developed clearer identities. Some have emerged as exciting innovators, analysts say.

■ For the bibliophile, a report on the rare book market and some important sales coming up.

Personal Investing is published the second Monday of each month. Readers are urged to make the appropriate inquiries before investing.

Why Stock Analysis Bears Analyzing

By Lynne Curry and Terry Gross

IS IBM still a good buy? Are growth stocks showing signs of age? What about the dollar? For most investors, these are some of the routine questions that come to mind when trying to decide whether to buy or sell a stock. And while the list of queries may be long, the supply of answers appears inexhaustible.

Each day, thousands of securities analysts in such financial centers as London, Tokyo and New York churn out a stream of tables, graphs and written opinions. Only a fraction of this research ends up in the hands of the individual investor, but brokers depend on it heavily when recommending stocks to clients.

The extensiveness of the effort is by no means a guarantee of its quality, however. Analysts are routinely caught off guard by developments in companies and industries they follow.

One recent example of a major stumble was last month's announcement by Data General Corp., a major minicomputer manufacturer, that it expects a flat quarter. The disclosure, which went against the prevailing rosy picture painted by some of Wall Street's top analysts, stunned the market. Data General's share price fell to \$57 from \$72 in one day.

"People get blind-sided all the time," acknowledged Thomas B. Stiles, research director at E.F. Hutton.

Still, a knowledge of how a firm approaches research, and an understanding of the subtle institutional influences that shade its judgments, can enable an investor to maintain a healthy skepticism about analysts' opinions.

"The major investor has more than one broker," acknowledged Eliot M. Fried, chief investment officer for Shearson Lehman/American Express. "Nobody has a corner on intelligence or recommendations."

Broadly speaking, most security analysts follow a single industry, such as metals, autos or banks, and divide their time tracking several companies within that sector. Keeping tabs on a major market leader like IBM, however, may be a full-time job at the major brokerage.

The analyst's goal is to determine how an individual stock will perform against the market and make a recommendation accordingly. A familiarity with current economic and political developments and a sound background in a specific industry are some of the elements brought to the decision-making process. Before making an investment recommendation, the analyst will routinely visit a company, study its balance sheet, order flows and management strategy, and then take a hard look at its earnings and dividends.

The accuracy of the analyst's assessment, it goes without saying, is important: a reputation for picking winners generates clients—and commission income.

"We want to make money," said William J. Kealy, director of research at Goldman Sachs. "The only way we're going to get the investor to come back is to make money."

In large firms, the company analyst is only one part of a much larger process. Paine Webber in the United States, for example, has

(Continued on Page 12)



Getting the Facts on Stocks

■ When your broker recommends a stock, ask for the firm's research material on the company and a copy of the annual report. Analysts who prepare the research sometimes qualify their opinions. These nuances are not always passed along to the retail client.

■ To judge the reliability of your brokerage firm's research, keep a detailed record of the performance of its recommended stocks. Some brokerage firms make available a track record of their recommendations.

■ Find out the institutional ownership of a recommended stock. Some investors steer clear of stocks with heavy institutional participation. Such stocks can be buffeted by changes in sentiment among the institutions, who often enjoy direct access to analysts.

■ Determine if there is any relationship between the brokerage firm and the company whose stock it is recommending. Most brokers routinely disclose whether their firm has underwritten an issue by a recommended company.

Eliot Fried, Shearson Lehman's investment chief, amid stacks of research.

The Enduring Popularity of the Zero Coupon

By Barbara Rosen

WHEN the first big wave of zero-coupon bonds appeared nearly five years ago, many dismissed the new instruments as another corporate financing fad. But the allure of these deep-discount instruments has refused to fade, in no small part because of the strong market among individual investors.

Investment houses, spurred on by the popularity of corporate zero-coupon issues, quickly developed a new breed of zero-like instruments based on U.S. Treasury debt that bear such exotic names as CATS and TIGR. And last month, in a move that marked something of a milestone for the market, the U.S. Treasury issued its own zero instruments. "Demand for these things is burgeoning," observes Ian Hassett, senior vice president for investment at Bache Securities in London.

The demand has long been apparent in the Eurobond market, where dollar-denominated zero-coupon issues appear to have carved out a permanent niche. Brokers say there is now a better range of top-quality U.S. industrial names available in the Eurobond market than in the U.S. domestic market.

The appeal of zero-coupon bonds and other, similar instruments lies in their simplicity. Rather than paying coupon interest, these instruments are sold at a fraction of the face value they will pay when they mature. Unlike conventional bonds, the investor does not have to worry about reinvesting interest payments every six months, possibly at a lower interest rate. The zero instrument effectively "locks in" an interest rate for the maturity.

This feature is especially attractive to investors who know they will need a lump sum in a predetermined period of time and who do not require the cash flow from regular coupon interest payments.

For example, an executive planning his retirement in 20 years could have purchased several recent U.S. Treasury zero bonds maturing in 2005 for \$105 each. At maturity, he would receive the face amount of the bonds, \$1,000 each, for an indicated yield to maturity of 11.38 percent.

A grander example is offered by Peter Jenkinson, senior international officer at the London brokerage of Kitcat & Aitken. He tells of one offshore client who bought zero-coupon bonds for each of his eight grand-children, at maturity dates scheduled to give each grandchild \$1 million when they turn 40 years old.

Much of the zero-coupon market has been among offshore investors and those with tax-deferred, self-administered pension plans, such as the Individual Retirement Account popular with U.S. taxpayers. This, in part, is because the domestic tax

situation in some countries can greatly diminish the attraction of these instruments. Obtaining some tax guidance is a wise move before purchasing any deep-discount instrument.

Indeed, the market for zero-coupon instruments is undergoing some changes in the wake of the Treasury's direct entry last month. The Treasury issue competes for investor attention with the many so-called "stripped" bond products that U.S. investment houses created to keep up with the demand for zero-like instruments. An estimated \$125 billion face amount of these stripped products has already been sold. They include Salomon Brothers' CATS (Certificates of Accrual on Treas-

ury Securities) and Merrill Lynch's TIGRs (Treasury Investment Growth Receipts).

The stripped investments are constructed from U.S. Treasury bonds. The investment firm buys a regular, interest-bearing government bond and "strips" the principal, or corpus, from the interest coupons. Each part is then offered for sale as a discounted, non-interest-paying instrument. Those backed by the corpus mature at the date set on the Treasury bond. Those backed by interest coupons mature on the day the interest is due to be paid.

In its Feb. 15 auction, the Treasury entered the fray, offering an issue of STRIPS (Separate Trad-

(Continued on Page 14)

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IRAs: Often Less Shelter for the Expatriate

By William McBride

FEW tax breaks have proved as popular with the American taxpayer as the Individual Retirement Account. By one estimate, Americans had \$140 billion invested in these accounts at the end of 1984.

The program, which started three years ago, allows an individual taxpayer to shield up to \$2,000 a year (more if married) from taxes by placing the money in an IRA, which are offered by banks, brokerage firms and mutual funds. The money in the account can be invested in a wide range of instruments, including money-market funds, common stocks, bonds or real estate limited partnerships. Taxes on any income and capital gains are deferred until retirement.

Funds cannot be withdrawn without penalty before age 59½, however, and must be withdrawn by age 70½, by which time the taxpayer presumably will be in a lower tax bracket. Any money withdrawn before age 59½ is subject to income tax in the year of withdrawal and to a 10-percent penalty.

For Americans living in the United States, the IRA is simplicity itself. Millions of taxpayers will put money into the accounts before the April 15 deadline to qualify for a reduction in their 1984 taxes.

The shelters are not such a simple issue for the American taxpayer based abroad, however. Determining whether an IRA is appropriate for the ex-

For U.S. taxpayers abroad, the issue can be complicated.

triate can be a daunting task requiring some professional advice.

"There are no hard and fast guidelines," cautions Rich Walsh of Coopers & Lybrand, the accounting firm. "Sometimes it's strictly a cash-flow decision."

The complications arise in large part from the \$80,000 exclusion on foreign earned income allowed U.S. taxpayers residing abroad. If a U.S. taxpayer abroad opts for the \$80,000 exclusion, the amount of foreign income must exceed the \$80,000 exemption plus any exclusion taken for housing costs for an IRA to make much sense.

In other words, the taxpayer must have a tax liability in the United States that can be offset by depositing money in an IRA. For example, an executive who earned \$95,000 abroad in 1984 and took the exclusion of \$80,000 plus \$3,000 for housing costs would have \$12,000 left in U.S. tax liability. In

such a case, he could reduce his taxable income to \$10,000 by depositing \$2,000 in an IRA.

But U.S. tax liability also can be established by working in the United States for part of the year. Take the situation of an employee of a U.S. company who is stationed abroad but who spends two weeks of each year at corporate headquarters in New York. If she earns \$32,000 a year, the \$80,000 exclusion will more than cover her foreign earnings. But her two weeks in New York give her \$2,000 of U.S. earnings not covered by the exclusion. She could reduce her taxable income to zero by depositing \$2,000 in an IRA.

A general rule about IRAs is that the higher the tax bracket, the more the benefit. A person in the 50-percent bracket can save \$1,000 in current taxes by foregoing \$2,000 of current income and placing the money in an IRA. A person in a lower tax bracket, say 40 percent, would save only \$800 of current taxes with a \$2,000 IRA deposit.

But because the \$80,000 exclusion puts most U.S. taxpayers abroad into lower brackets than they would be in the United States, IRAs tend to be less beneficial to them than to American taxpayers working at home. Still, some tax specialists say Americans abroad tend to look favorably on IRAs despite the diminished impact on their tax situation.

"Some people just like the feeling of socking it away for retirement, even if the tax savings are comparatively meager," says one accountant. He also notes that the U.S. taxpayer abroad still enjoys

the benefit of having no taxes on the earnings from IRA investments.

However, IRAs are of little help to one particular group of U.S. taxpayers abroad—employees working under U.S. corporate "tax-equalization" plans. These programs are part of an effort by U.S. corporations to make the tax burden on the employee, abroad and at home equal.

In most equalization schemes, the U.S. company agrees to pay all the taxes, U.S. and foreign, incurred by the employee while abroad. The employee, in turn, fills out a "theoretical" tax return as if he were in the United States. The company then withholds amounts equal to what the employee would pay if taxes if he or she were in the United States.

These plans have the effect of shifting to the company any tax advantage—or disadvantage—the foreign-based employee would have compared with colleagues in the United States.

Steve Kates, of Arthur Young, the accounting advisory firm, says "many companies don't give an IRA contribution in the theoretical tax form." The American employees covered by an equalization plan usually derive no tax benefit from these accounts.

Mr. Kates also notes that IRAs are little help to U.S. taxpayers residing in the few areas of the world such as the Middle East, where local taxes are extremely low by U.S. standards. In some circumstances, U.S. taxpayers in these situations may wish to consider the purchase of tax-deferred annuities rather than an IRA, he said.

Why Analysis Bears Analyzing

(Continued from Page 11)

three separate research staffs. One tracks individual companies. Another studies the economic climate. The third is made up of technicians who crank a company's vital statistics into complex mathematical formulas in an effort to determine whether the stock is undervalued. The goal of Paine Webber's analysts is to find stocks that outperform the market by at least 10 percent.

Of the 800 stocks tracked by Paine Webber, says Edward M. Kerschner, chief portfolio strategist, as few as 50 might qualify for the company's recommended list. A few of these, he admits, could turn out to be wrong. "If not, we're not taking enough risk," he said.

While the three-pronged approach to stock picking is common, investment firms rarely come up with identical lists. And they occasionally disagree about the prospects for a certain issue.

In January, James Capel & Co. of London changed its rating on Marks & Spencer, Britain's largest retail group, and recommended the stock as a buy. Roy Macdonald, a Capel analyst, said the change of heart came after assessing Marks & Spencer's new management and an improvement in sales.

Others are less enthusiastic. John Hatherly, an analyst at Capel-Cure Myers in London, has upgraded his recommendation on Marks & Spencer from "sell" to "hold." But he remains decidedly less enthusiastic than Mr. Macdonald. Marks & Spencer "is a big company that is experiencing

hardening of the arteries," Mr. Hatherly said bluntly.

But conclusions sometimes vary because analysts are looking for different things in a company. Some brokerage firms scour the market for undervalued stocks or "special situations." Others prefer to evaluate the big-picture economic and market forces at work, and then evaluate individual companies in that light.

Mr. Stiles of E.F. Hutton follows the latter approach, which he refers to as a "top-down" approach. "I think that flies in the face of the tendency of a lot of people to do the exact reverse," he said. "They work from the bottom up, looking for a name that is being recommended."

The scope and tone of research can also vary by geography. Investment firms in the United States, for example, are noted for elaborate research reports that brim with tabular material and extensive written analysis. But the U.S. approach is often unappreciated in Britain, where brokerages take a less aggressive approach.

"I look at the first paragraph from American reports and occasionally read them," said Martin Smulian, a financial consultant at Bishop Cavanagh in London, "but I rarely find an article engaging. U.S. reports tend to ramble."

Roger Bull, an investment advisor at Aitken Hume Portfolio Management Ltd. in London, noted that the Japanese offer another example of how approaches to research can differ.

The Japanese, Mr. Bull says, are more factual and less inclined to provide an opinion than their Western counterparts. Moreover, analysts at Japanese brokerage firms tend to be generalists, rather than concentrating on a single industry, he said. Consequently, Mr. Bull says, he prefers to use research material prepared by European brokers based in Tokyo.

A major concern voiced by many investors is that analysts are optimistic by nature, and that they commonly rate a stock "buy" or

Sell: Seldom-Heard Word in Research

IT may be couched in diplomatic jargon, hidden at the end of a market commentary or even avoided. Regardless of the approach, it is clear that "sell" is the kind of four-letter word that brokers still find repugnant.

"Analysts lack a little courage in this matter," acknowledged Kenneth Ingalls, research director at Phillips & Drews.

"You have to find your own sell signal," said Nicolas Krut, general manager of Gulf & Occidental Investment Co. in Geneva. "When the brokers come up with it, it's too late."

Heads of research departments say they are aware of the confusion and have taken steps to make it easier for retail customers to understand their vocabulary. But the effort has not always produced the expected results.

In the United States, some major brokerages use a one-to-five rating system. One signifies an aggressive buy. Five means sell. Confusion comes in the number between two and four.

"Four is a signal to investors that a stock is no longer attractive," said Margot Alexander, research director at Paine Webber.

"We're trying to make our analysis be more aggressive about moving from two to four rather than from two to three."

Some brokerage firms, meanwhile, avoid such elaborate methods. Shearson Lehman/American Express has only three categories: buy, hold and sell. Elliot M. Fried, executive vice president and chief investment officer, said the only category for a recommended stock is "buy." "When we take a stock off the recommended list, it's 'sell,'" he said.

Whatever method is used, an investor should understand the vast



arsenal of euphemisms that brokerage firms have developed to advise clients to sell a stock. A random sampling of London brokerage firms uncovered the following:

■ "The market has unrealistic expectations of the company."

—Robin Gilbert, head of research, James Capel & Co.

■ "The shares look highly rated with normal multiples relative to the market accorded these shares."

—Howard Coates, partner, Zoete & Bevan.

■ "Long-term buy, they are fully valued for the moment."

—Alan Izzard, private-client director, Hoare Gorton Ltd. □

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PROFILE

Hunting Profits at Graveside

By John Meehan

FOR most investors, new issues and emerging growth stocks seem to promise the greatest opportunity for profit. But for Mario J. Gabelli, the other end of the corporate life cycle offers the biggest returns.

As president of Gamco Investors Inc., the money management arm of the New York institutional overage that bears his name, Mr. Gabelli cares little about a company's promising birth or robust adolescence when shopping for a stock.

"I'm looking for something that will put it into the grave," he says. Death, in Gamco's frame of reference, comes in the form of a leveraged buyout, takeover or liquidation — the kinds of terminal fictions that can generate big profits for shareholders.

Indeed, Gamco clients are given a "Rest In Peace" list of more than 50 of Mr. Gabelli's favorite picks since 1977 that are no longer publicly traded. One, Womco, generated over \$20 million in profits for Gamco clients when it was taken private in 1984 by Kohlberg, Kravis, Roberts & Co., an investment banking concern that specializes in leveraged buyouts.

"Look at corporations from the cradle to the grave," he advises. "When they go public, they're selling (stock) for more than its worth. I'm in the business of looking for companies in their golden years."

At 42 years old, Mr. Gabelli's ability to foresee such situations has earned him a reputation as one of the top money managers in the United States. His stock rests on identifying companies selling for a fraction of their asset value. "I ask myself: 'What if I had a group of people in a room that really knew the business? Let's say a group interested in a leveraged buyout. What would they be willing to pay for this company?'"

If the spread between the share price and the so-called "private market value" is attractive, and if Mr. Gabelli thinks he can earn a 50 percent return on his investment in two years, he buys.

Since he founded Gamco in 1977, Mr. Gabelli has averaged an annual return of almost 30 percent for individual and institutional clients. Last year, ten other money managers struggled through a slumped market in the United States, Mr. Gabelli averaged a return of 17 percent on the \$500 million fund his management compared with a gain of 6 percent on the Standard & Poor's 500 Index.

Given Gamco's relatively small size, the fund tends to focus on certain industries like auto parts and broadcasting, two sectors that Mr. Gabelli has followed since he began his career in the 60s as an analyst at the former Loeb Rhoades & Co.

Mr. Gabelli refuses to buy technology or oil and stocks, both areas in which he lacks expertise. "If I can't sell it, I won't buy it," is a common refrain around his midtown Manhattan offices.

He also eschews some of the traditional yardsticks used by portfolio managers when measuring equities. Price/earnings multiples and capitalization do not enter into his calculations. Moreover, he does not shrink from bearish markets. In fact, Gamco tends to do better when the market is down, he says. "When everyone is buying stocks you can't see the quantity or the price you want," he said.



Mario J. Gabelli

HIS AND HIS STAFF routinely track between 150 and 200 companies and search for specific clues that may indicate a future takeover or buyout. They comb reports looking for management stock repurchases — a possible sign, Mr. Gabelli says, that company executives think shares are undervalued. A company where the founder owns a huge block of stock but has no children also gets special attention. Such companies are likely prospects for a change in ownership, according to Mr. Gabelli.

Valuable underlying assets such as real estate or a huge cash hoard can also signal a future buyout. Diamond Crystal Salt, a current favorite of Mr. Gabelli, came to his attention when the company collected \$32 million in damages from Texaco Inc. after the oil company inadvertently flooded one of its salt mines when drilling in Louisiana.

Gamco owns nearly 11 percent of Diamond Crystal. Mr. Gabelli began purchasing the stock at \$12 and places its current private market value at \$35.

Rollins Communications also is included in the Gamco portfolio. Mr. Gabelli calculates that the company has assets of \$385 million from its operations in broadcasting, cable television and outdoor advertising. With 14.5 million shares outstanding, Mr. Gabelli values Rollins at between \$28 and \$30 a share and estimates it could go as high as \$45 in three to four years.

Other stocks favored by Mr. Gabelli include Holiday Inns, the hotel group; GenCorp, the tires, plastics and chemicals group; Storer Communications, a broadcasting company; and Earl Scheib, which operates a chain of car-painting shops.

If Mr. Gabelli likes a stock, he buys heavily. Gamco holds almost 31 percent in Brad Ragan Inc., an auto-parts distributor. Goodyear acquired 17 percent of the company several years ago when the founder died, and Mr. Gabelli expects the tire giant eventually to buy the rest.

Such commanding positions could give Mr. Gabelli considerable influence over companies, but he says he never tries to interfere with management. In past buyouts, however, he has criticized company executives for what he considered inadequate terms and prices. Sometimes he has extracted a better deal.

Still, Mr. Gabelli says he is not concerned about an occasional miscalculation. "There are just too many opportunities of overlooked, undervalued companies that are heading for the grave," he said. "We are incredibly patient."

THE BOURSES

Bright Views on Europe's Insurers

By Warren Getler

NOW that the gloom surrounding the international insurance business is lifting, investors are finding plenty of reasons to be encouraged about the prospects for some European insurers, especially Swiss firms.

While analysts and money managers in Frankfurt, Zurich and London emphasize that the insurance business still suffers from intense price competition worldwide, they note three developments acting to bolster the share prices of major insurers:

- Underwriting premiums are finally showing signs of a turnaround, indicating that the worst of the rate battle is over.
- Low inflation and relatively steady interest rates seem likely to continue.

- The geographical diversification carried out by some major European insurers has positioned them in potentially profitable niches, particularly in the United States. There is a growing feeling among industry observers that the U.S. property-casualty business touched bottom in 1984 and is set for an upswing.

Swiss insurance companies, whose share prices have been in the doldrums over the past several years, are seen as the biggest beneficiaries of these trends and the best investment bets. Because of a tight domestic market, Swiss firms have had to seek out markets abroad and now enjoy a strong presence in the United States. They also have low price-earnings multiples relative to West German and British insurers.

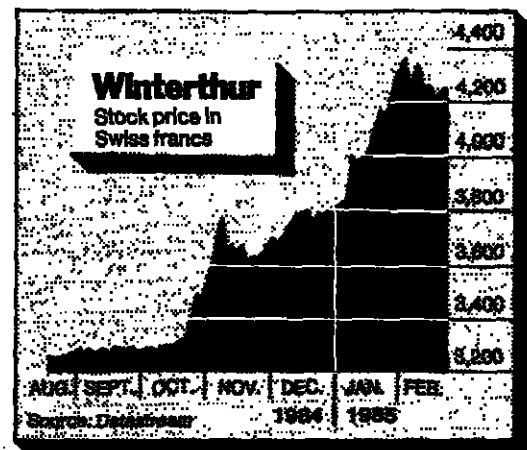
Julius Baer & Co., the Zurich-based bank, is particularly bullish on Swiss insurers. It favors all three major Swiss firms: Winterthur, Zurich Insurance Co. and Swiss Reinsurance Co., all of which have P/E ratios of around 11.

"We estimate a 10-percent climb in share prices on the Zurich exchange, with a good chance of seeing the important insurance sector outperform the market," says George Seligson, deputy research chief at Julius Baer.

On the Zurich Stock Exchange Friday, Winterthur closed at 4,160 Swiss francs (\$1,434.50); Zurich Insurance at 20,550 francs, and Swiss Re at 9,500 francs.

Phillips & Drew, the London brokerage, shares that bullish outlook. Danielle Kadeyan, who follows Swiss insurers for the firm, says her chief recommendations are Winterthur and Zurich Insurance. She rates the higher-price bearer shares of Swiss Re as a "hold."

Winterthur can be counted among the firms with a



strong presence in the U.S. property-casualty market through its acquisition of Republic Finance Services in 1982 and its diversification efforts. Mrs. Kadeyan said. Winterthur, Switzerland's second largest insurer after Zurich Insurance, has two-thirds of its personnel working outside Switzerland.

Zurich Insurance, another firm with a solid presence in the United States, is expected to take new initiatives in the reinsurance market there. With 43 percent of its premium income derived from Switzerland, as opposed to only 20 percent in the United States, the company also stands to see its premium-to-claims ratio benefit from the disinflationary environment at home.

Phillips & Drew estimates that Winterthur's per-share earnings rose to 325 Swiss francs (\$112) in 1984 from 295 francs in 1983, and sees them increasing to 370 francs in 1985. Zurich Insurance's earnings for last year are put at 2350 francs per bearer share, up from 2100 francs in 1983, and are expected to climb to 2600 francs this year. Swiss Re, which posted per-share earnings of 680 francs in 1984, is expected to report profit of 750 francs per share for 1985 and 850 this year.

The companies are expected to report in May. But some analysts caution that Swiss and West German insurers could see their 1984 earnings squeezed by a freak hail storm that hit West Germany last summer. An extremely cold January and February in Central Europe

may also contribute to a significant rise in claims for the current year, though this should not cancel out gains from firming premium rates.

West German insurance shares have been riding high, helped by investor enthusiasm for Allianz Versicherungs. The insurance sector, climbing steadily for nearly two decades, was the top performer last year on the Commerzbank Branch Index, gaining 25.4 percent, compared with 22 percent for electrical stocks and 12.8 percent for banks. Allianz, which is involved in a major restructuring aimed at diversification into other financial services, has seen its share price soar to an historic high of 1,100 Deutsche marks (\$326) in December from around 750 DM last spring.

Behind the rise has been speculation that the company may be about to acquire a large insurer in the United States or Britain. Allianz says it is still sitting on the 550 million DM it made on the sale of its shares in Britain's Eagle Star Holdings last year. The company said it used none of the proceeds in its purchase late last year of Riunione Adriatica di Sicurtà, Italy's second-largest insurer, for more than 1 billion DM.

Wolfgang Sikorski, of Deutscher Investment Trust in Frankfurt, a portfolio management group, recommends Allianz as a strong buy this year in light of the Munich insurer's steady profit growth and its planned expansion into other lucrative areas, presumably banking. But he notes that Swiss stocks have the edge when it comes to turnaround potential and P/E ratios.

The outlook for British insurers is less clear cut than for their Swiss and German counterparts, analysts say. Wood Mackenzie expects the shares of composite insurers, which are active in both life and casualty business, to outperform the London stock market chiefly because of increased premium rates. It recommends Royal Insurance and Guardian Royal Exchange among the composite insurers and Prudential in the life-insurance sector.

But Capel-Cure Meyers, another London broker, sounds a cautionary note about those British insurers with considerable exposure in the United States.

All three U.S.-oriented composite insurers — Royal Insurance, Commercial Union and General Accident — are currently overvalued, the firm says. Their share prices are assuming a U.S. underwriting recovery in 1986 that is unlikely to emerge to the extent that shares prices indicate, it warned in a recent newsletter.

Confusing Signals on U.S. Bank Stocks

By Anise Wallace

INVESTORS can be forgiven if they find themselves confused about the prospects for U.S. bank stocks. The group has advanced a torrid 54 percent since its lows of last summer, but some analysts are now saying that they have moved too much, too fast.

And three weeks ago, in a move noted by Wall Street, Battery-March Financial Management in Boston, which manages billions of dollars in endowment funds, started to sell its bank-stock holdings.

Nonetheless, some professionals say that banks represent some of the only bargains around. And they are expecting banks to report exceptionally strong first-quarter

earnings, which should buoy their share prices. One analyst acknowledged that bank stocks pose a dilemma for investors, given their recent strong run-up. "It's a difficult call," he said.

Should interest rates rise, as many economists believe they will in the next three months, banks could be hurt by having to pay more for their funds. Primarily for this reason, Lawrence W. Cohn, first vice president of Dean Witter Reynolds Inc., last week downgraded his recommendations on two large money-center institutions, Citicorp and Chemical New York. Earlier last month he had downgraded his recommendations on Bankers Trust New York, J.P. Morgan Security Pacific.

In the argot of Wall Street, Mr. Cohn changed his recommendation on all of these stocks from a strong buy to a "lukewarm" buy.

"Long-term we really like the stocks," he explained. But for the next three to six months he expects these stocks will "hang around and do nothing for you."

Over the short term, rising interest rates and international debt problems will keep bank stocks flat, Mr. Cohn says. His firm expects interest rates on long-term Treasury bonds to climb to as high as 13 percent; in that kind of environment, he says, "bank stocks have a very tough time."

But Salomon Brothers' top-rated bank analyst, Thomas H. Hanley, remains positive about the group while conceding that "the easy money has been made." He is

still recommending such money-center banks as Citicorp, Chase Manhattan, First Chicago and Bank of Boston, despite the latter institution's troubles with Federal regulatory agencies. Among the regionals, Salomon likes NBD Bancorp, First Interstate, NCNB Corp. and Security Pacific.

And these stocks are still selling at lower-than-average price/earnings multiples. Based on 1985 earnings estimates, many of these stocks sell at a meager five or six times earnings, less than half the multiple of the Standard & Poor's 400 index, which includes only industrials.

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SOMETHING DIFFERENT

A Renewed Interest in Rare Stamps

By John Meehan

IF Old Masters and precious metals no longer satisfy your appetite for tangible investments, consider rare stamps. After three years of high interest rates and low inflation, rare stamp prices are at their lowest level in a decade. Not surprisingly, contrarians in the United States, one of the world's largest stamp markets, say that now is the time to stop for bargains.

Indeed, one New York professional reports recent selling by European collectors looking for dollars.

As with any collectible, rare stamps are a useful hedge against possible economic calamities, such as the double-digit inflation of the late 1970s. But unlike bulky paintings and antique furniture, stamps are highly liquid and can be tucked away in a billfold.

"It's similar to buying insurance," said Bruce Stone, president of Stamp Portfolio Inc., a Stamford, Connecticut firm that advises investors on the market. A typical client may have a total investment portfolio of \$200,000, of which about 5 percent will be invested in stamps, he said.

On average, Mr. Stone said, U.S. rare stamps appreciate at twice the rate of inflation. And in the current low inflation environment, they may appreciate about 50 percent above the inflation rate, he said.

To realize the maximum gain, however, investors must be patient. The tastes of traditional collectors—not investors—drive the market, so that prices fluctuate with their moods.

"You can't go in today and sell tomorrow," said Robert Siegel, who operates the biggest stamp auction house in the United



The U.S. Graf Zeppelin series of 1930, now valued at about \$2,300.

States, Robert Siegel Auction Galleries in New York. "At present price levels, you would have to hold on to stamps for 5 to 10 years."

The most recent flurry of investment interest in rare stamps came in the late 1970s, when rising inflation drove investors from financial instruments into tangible assets of every size and description. The bullish run lasted until 1981, when rising rates and cooling inflation turned attention back to stocks and bonds.

Those heady years had a profound impact on the stamp market in the United States. Investor demand propelled prices sharply higher, often to the dismay of traditional collectors.

Experts recall that it was not uncommon for relatively inexpensive rare stamps to double in price overnight. The effect on rarer stamps was even more staggering: the British Guyana Magenta, for example, was valued at \$1 million in 1982 compared with \$200,000 a decade earlier.

Many investors, however, unschooled in the fine art of philately, paid exorbitant prices for stamps of poor value. The U.S. Graf Zeppelin is a case in point.

A set of this 1930s air-mail issue had been valued around \$2,000 in the early 1970s, but shot up to \$8,000 during the stamp boom.

When investors abandoned the market, the price collapsed. A set of Zeppelins now sells for about \$2,300, Mr. Stone said.

To avoid similar mistakes, professionals say investors should educate themselves about rare stamps through extensive reading and by talking to reputable dealers. Most will track how many stamps of a particular issue were printed and are still in existence. They also keep track of fires or other misfortunes that destroy large collections.

Rarity, however, is not just defined in terms of limited availability—the stamp must be in demand by collectors, as well. One test used by some investors is to count the number of times a certain issue is brought to auction. At the same time, investors should be suspicious of stamps that show up regularly on the auction block, the experts advise.

In general, experts recommend that 20th-century stamps be avoided. Many are old, but few are rare, and investors will have better luck with 19th-century issues, they say. For example, the 1847 issue, the first U.S. federal postage stamp, is currently valued at about \$825, a sevenfold increase over the last 10 years.

Mr. Stone says he narrows his selection to stamps that are at least 50 years old. He then studies the price history of the stamp to determine if it has a proven track record. □

CHART TALK

A Lackluster Month for Markets

IN contrast to the uniform surge recorded in January, major world equity markets put in a lackluster performance last month.

The flurry of buying in New York that ignited January's worldwide rally was conspicuously absent last month. Some investors, however, delighted in the fact that a predicted wave of profit-taking did not materialize.

On the New York Stock Exchange, the Standard and Poor's 500 index rose less than 1 percent, to reach 181.18 at the closing bell on Feb. 28.

John Connolly, chairman of the investment committee at Dean Witter Reynolds, said the slight rise in the index was misleading because it did not demonstrate the shift in sentiment toward particular sectors. "The group rotation was amazing," he said.

The big winner on the New York Stock Exchange was Texas International, which struck oil in western Africa. Analysts say it is still too soon to determine the true wealth of the strike, which is now producing 6,000 barrels a day.

General Growth Corp., a real estate investment concern in the Middle West, headed the losers list. The drop followed a decision by the company to sell off a major share of its assets.

In London, concern about the Thatcher government's budget, which will be released next week, dampened the spirit of both institutional and individual investors, analysts said. The Financial Times Ordinary Share Index closed out the month at 979.9, down 6 points from January.

Hector Santa, a director at the London stockbrokerage of Phillips & Drew, said the dollar's rise over last month also unnerved investors in light of the pound's recent poor showing on foreign-exchange markets. U.S. investors, he said, were especially reluctant to buy British equities.

The British market's big winner was Dunlop Holdings, which continued to flirt with a takeover offer from BTR PLC. Associate Newspapers registered the second largest gain, largely on the strength of its North Sea oil holdings.

The big loser was Lex, which controls the Volvo distributorship in Britain and owns an electronics company in the United States. The drop came after market analysts lowered their earnings estimate for the industrial concern because of problems with its U.S. operations.

In Tokyo, the Nikkei-Dow Jones index gained almost 3 percent, breaking through the important 12,000 mark to close out the month at 12,321.920. Still, some observers expressed disappointment in the market's unbalanced performance.

Tokyo analysts said they could find no overriding theme during February. Blue-chip issues languished, while financial issues gained. The market also displayed a continued fascination for pharmaceutical and technological stocks, even though analysts think both sectors are overvalued.

Last month's leading gainer, Green Cross, advanced on unconfirmed reports that it is developing an anti-cancer drug. The major loser, Mochido, another pharmaceutical concern, suffered heavily from profit-taking.

Gainers and Losers

The stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in January.

GAINERS

	Percent Gain	Feb. 28 Price
New York Stock Exchange:		
Texas International	70	2.13
Telecom Corp.	80	4.00
Baldwin-United	55	5.13
Valero Energy	46	10.75
Electronic Associates	45	5.25
Stauffer Chemical	43	27.50
LLC Corp.	40	3.50
Berg Enterprises	38	22.63
Tonka Corp.	38	58.50
Grollier Inc.	36	4.75

AMERICAN STOCK EXCHANGE:

	Percent Gain	Feb. 28 Price
Odeco	95	13.38
Custom Energy Services	73	2.38
Cardiff Equities	70	8.50
Buckhorn Inc.	59	4.38
Lee Pharmaceuticals	55	7.38

Over the Counter:

	Percent Gain	Feb. 28 Price
Verdex	136	3.69
ACS Industries	124	4.75
Computer Usage	100	2.00
Shelter Components	82	5.00
TSR Inc.	80	40.00

LONDON STOCK EXCHANGE:

Compiled by Capital International. Prices in pence

	Percent Gain	Feb. 28 Price
London Stock Exchange:		
Dunlop Holding	22	44.50
Associated Newspapers	15	830
Total	15	72.50
Delta Group	13	125
Marika and Spencer	10	139
Courtauld	10	155
Guest Keen Nettlefolds	8	214
British Aerospace	7	388
Rowntree MacIntosh	7	378

Tokyo Stock Exchange:

Compiled by Capital International. Prices in yen

	Percent Gain	Feb. 28 Price
Tokyo Stock Exchange:		
Green Cross	67	2,750
NCR Japan	29	1,670
Tokai Bank	28	727
Mitsui Bank	26	1,200
Sanwa Bank	26	1,520
Kyowa Bank	25	605
Industrial Bank Japan	25	1,140
Long Term Credit Bank	24	6820
Sankyo Co.	23	1,330
Shizuoka Bank	21	600

LOSERS

	Percent Loss	Feb. 28 Price
New York Stock Exchange:		
General Growth Prop.	78	6.88
First City Properties	33	12.00
Towle Manufacturing	27	11.88
Salient Corp.	27	5.13
Chicago and Northwest	25	20.75
Financial Corp.	25	8.25
Chicago Milwaukee Corp.	23	182.50
Ameco Industries	21	11.63
RLC Corp.	21	7.50
Data General	21	56.38

	Percent Loss	Feb. 28 Price
American Stock Exchange:		
Alanco	31	2.25
Nu-Horizons Electronics	25	3.38
Fitchburg Gas & Elect.	25	8.75
Instrument Systems	24	2.00
Teleconcepts	22	3.13

	Percent Loss	Feb. 28 Price
Over the Counter:		
Micron Technology	52	11.63
SEEQ Technology	47	3.88
Flight International	40	3.00
OCG Tech	39	2.13
Computer Store	31	2.13

Japan Specialty Funds May Ease

(Continued from Page 11)

impressive. From the start of 1983 to the end of last December, G.T. Management's Japan Small Companies fund increased 126 percent in dollar terms. During the same period the Tokyo Stock Exchange

index increased 54 percent, while the exchange's second-section index appreciated nearly 116 percent.

A survey recently published by Lipper Analytical Securities, a New York-based firm that tracks

U.S. and international funds, showed that Japanese specialty funds were the world's top capital-growth performers between July 1983 and November 1984. More recently, the gains have been considerably slower because of the

yen's weakness against the dollar. Many of the funds are denominated in dollars.

The fundamentals that nourished the growth, however, are changing. The current business environment is a far cry from the boom of 1982-83 when the share prices in small companies in the technology sector rallied sharply in response to the initial boom in demand for video recorders and integrated circuits.

That rise, which was linked to strong Japanese exports to the United States, peaked last spring. Even analysts who predict good returns for big electronics companies by the end of the year do not expect this to translate into the same kind of boom for component-makers.

"Growth in those small companies should be good, but not as good as before," says Takashi Nakayama, general manager of Awa Investment Trust.

The prevailing climate in the stock market, observers say, is considerably less hospitable to smaller companies than it was a couple of years ago.

Much to the dismay of fund managers, who traditionally have limited themselves to companies with capital of around 50 billion yen or less, large companies have outperformed smaller concerns since the middle of 1984.

The shifting market sentiment away from certain electronics issues, which initially focused interest on small companies, and into other sectors has also underscored the vulnerability of the narrowly focused specialty funds. Many own shares in as few as 30 companies and are not positioned to take advantage of gains in other sectors.

More recently, the big strengths have been in financials, which are heavily capitalized, and pharmaceuticals, which are highly speculative. By contrast, blue chip electronics have declined, taking many of the small technology firms with them.

"You can't really specialize in the sense that you could a couple of years ago," said Peter Tasker, an analyst with Grieson Grant & Co. in Tokyo.

Colin Armstrong, Tokyo manager of Jardine Fleming Securities, expects his firm's Small Company Trust to "mark time this year until the market is concentrating on value again." He said prospects are stronger for Jardine's Japan Technology Trust, which is not limited to small companies and can take advantage of market trends in pharmaceuticals, new materials, biotechnology and optical electronics.

In the meantime, fund managers say they are confident that interest in small companies will pick up. Masato Kawada, investment manager for G.T. Management (Japan), pointed out that a wave in new company listings in both the second section and over-the-counter sectors is expected sometime next year or soon after. □

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In March 1982, the world's largest investment service published a roster of 67 stocks which they claimed would "underperform the market." C.G.R. contradicted their pessimism, challenging their thinking; urging, as contrarians, our readers to buy, not to sell the equities on the "sick" list. We triumphed; all but a handful of the stocks advanced, some quadrupled. False modesty is as misleading as excessive arrogance. Our success is predicated upon simplistic fiscal gospel, the advice that investors should emulate "Elitists," buying into weakness, selling into strength, mocking prevailing opinion. C.G.R.'s analysts will "take on" any market letter, regardless of size or reputation. Since late 1981, approximately 90% of the shares we recommended subsequently advanced and as a corollary, 92% of issues castigated as "classic shorts" have bucked.

When APPLE, COLECO, COMMODORE and TANDY were mesmerizing the "Street" at bloated Price Earnings levels, we "attacked" the Quartet, characterizing APPLE \$56, as a "Lemon." Today's quote, \$27. COLECO collapsed from \$50 to \$12, COMMODORE capsize from \$52 to \$14, TANDY, which C.G.R. dissected at \$54, is currently \$32.

As mavericks, we stunned the "Street" in the summer of 1982, by predicting that the "DJI WILL TOUCH 1,000, BEFORE HITTING 750." The Bull rampaged, the bear history. The same script was repeated when the Dow temporarily dipped below 1100. While the majority of pundits were crying, C.G.R. noted... "BUY NOW - THE MARKET WILL ERUPT, VAPORIZING PROPHECIES OF DOOM." Our forthcoming report reviews "Big Board" companies that predators may be coveting at premium prices. In addition, C.G.R. focuses upon a low-priced venture capital equity, with the dynamics to spiral, as did a recently recommended "special situation" that escalated 800% in six months.

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Investors Show an Affinity for Zeros

(Continued from Page 11)

ing of Registered Interest and Principal of Securities). These are 10-year notes and 30-year bonds separately registered as principal and coupon.

Some observers believe that the coming of STRIPS could reduce demand for CATS and TIGRS as investors flock to securities directly backed by a U.S. government obligation. "We haven't touched CATS and the like, purely because they're second-name paper," says Mr. Jenkinson of Kitz & Aitken.

But others contend that any difference between STRIPS and the derivative zeros is more perceived than real. "Objectively, the ultimate security is identical," says Mr. Hassett at Bache.

Still, STRIPS have traded occasionally at yields as much as 10 to 20 basis points, or hundredths of a percentage point, lower than those for CATS and TIGRS, a sign that

investors are willing to accept lower yields for a direct Treasury obligation. But the prices should eventually even out, brokers say.

Zero-coupon bonds and similar instruments are sold differently than conventional bonds. Brokers do not quote a price and commission, as with a conventional bond. Instead, the buyer of a zero-coupon security is quoted a net price. Retailer brokers make money on the difference between the price at which they bought the bond and the price they charge their client. For example, a zero-coupon bond may be quoted at 32 to 32 1/2, meaning the broker will buy it at \$32.00 for \$1,000 face value and sell it at \$32.50. In this case, the broker's markup is 5 percent, or 15 percent of the price the customer pays.

The percentage markup can vary among dealers and according to the size of the order and the bonds concerned, so it can pay to shop around. Last Wednesday, two firms in London were quoting a General Electric zero that matures in 1993 at \$388.75 per \$1,000 face, while a third firm gave a price of \$387.50.

As with most securities, prices also can be affected by the depth of the market. Choosing an issue with a sufficiently active market is also important should the bond be sold before maturity.

Another crucial factor is that zero bond prices move more dramatically in response to rate changes than the prices of conventional bonds. As with conventional bonds, price volatility also increases with the maturity of the bond. These are important points for the investor who may have to sell a zero before it matures.

But there is a useful side to zero's volatility. When rates were falling late last year, an aggressive

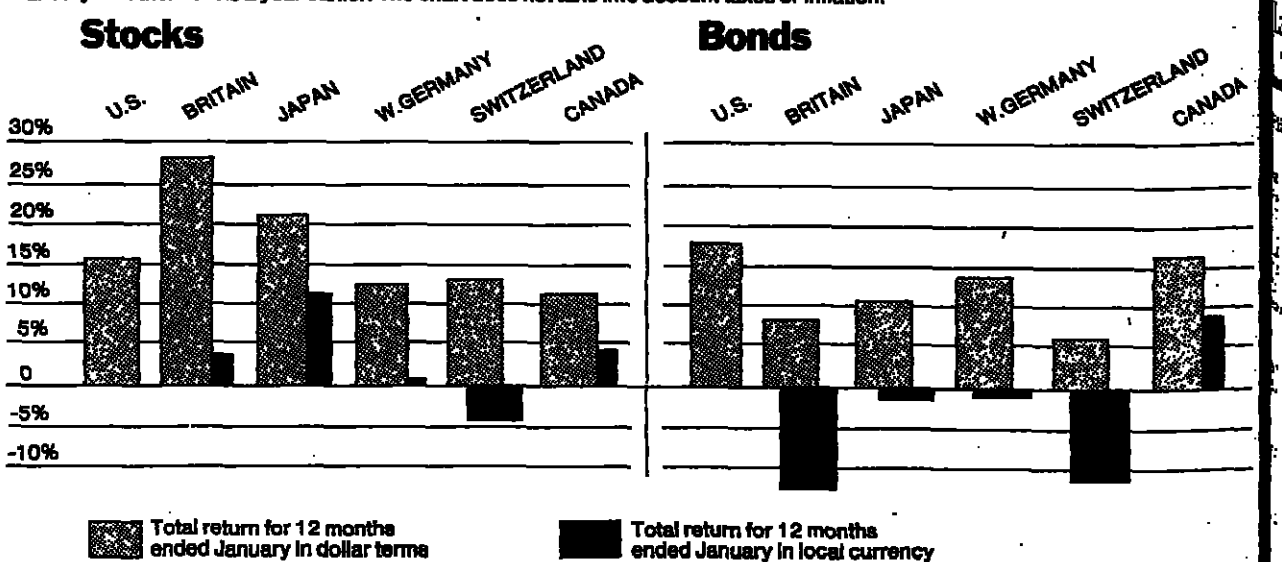
investor could have profited by trading in zeros. A CATS 2 maturing Aug. 15, 2015, if purchased near the issue date of Aug. 15, 1984, likely would have cost about \$395. At the end of January an investor could have sold at a bond's high of about \$735, reaping a gain of 23.5 percent.

The results would have been different had the investor bought Treasury bond from which CATS was derived. If purchased near its issue, the 12 1/2 percent Treasury bond maturing Aug. 2015 would have cost about \$1,000. If the investor sold it at a bond's high in January, the return including both capital gain and interest payments, would have been about 16 percent.

But volatility "works both ways," cautions Mr. Hassett at Bache. "Remember that they down as well as up."

Total Return for 12 Months

Total return measures both the changes in the prices of securities and the income they provide, either in dividends or interest. Gains and losses were measured by comparing market indexes at the end of January with their levels a year earlier. The chart does not take into account taxes or inflation.



Investors Show an Affinity for Zeros

(Continued from Page 11)

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New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	End week	Terms
FLLOATING RATE NOTES						
Bank für Arbeit & Wirtschaft	\$100	2000	1 1/4	100	99.10	Over 6-month Libor, Redeemable at par in 1997 and callable at par in 1988. Fees 1%.
Crédit Commercial de France	\$250	1997	libid	100	99.85	Interest pegged to 6-month bid rate for Eurodollars, set monthly. Callable at par in 1987. Fees 0.45%.
FIXED-COUPON						
Canada	\$500	1990	11 1/4	100	98.25	Noncallable.
LTGB Finance	\$75	1990	12	100	98.38	Noncallable.
Sumitomo Metal Industries	\$100	1992	10 1/2	101	—	Noncallable.
IADB	DM 250	1993	8	100	—	Noncallable.
Philipp Morris Credit	£75	1995	11 1/4	100	98.13	Callable at 100% in 1992.
IADB	ECU 100	1993	10	100	98.75	Noncallable.
EQUITY-LINKED						
Cadbury-Schweppes	\$80	2000	open	100	99.50	Coupon indicated at 8%. Callable at 104 in 1987. Convertible after Jan. 1986 at an expected 10% premium. Terms to be set March 14.
Kojima	\$40	2000	3 1/2	100	95	Semiannually. Callable at 104 in 1988. Convertible at 290 yen per share and at 261.85 yen per share.
Newmont Mining	\$60	2010	8 1/2	100	—	Callable at 104 in 1986. Convertible into shares of Du Pont at \$224 a share, a 15.21% premium. Sinking fund to start in 1997 to produce a 19.7-year average life.
Toshiba Ceramics	\$50	2000	open	100	—	Coupon indicated at 3%. Convertible at an expected 5% premium. Terms to be set March 19.
Daiishinpan	DM 60	1990	open	100	—	Coupon indicated at 3 1/2%. Each 5,000-mark bond with 1 warrant exercisable into shares of an expected 24% premium. Terms to be set March 19.
Toei	DM 50	1990	3 1/2	100	—	Noncallable. Each 5,000-mark bond with 1 warrant exercisable into shares of 448 yen per share and at 76.65 yen per mark.
Toyobo	DM 60	1990	3 1/2	100	—	Noncallable. Each 5,000-mark bond with 1 warrant exercisable into shares of 257 yen per share.
Tsubakimoto Precision Products	DM 60	1990	3 1/2	100	—	Semiannually. Noncallable. Convertible at 1,505.20 yen per share and at 77.80 yen per mark.
Zenichu	DM 35	1990	3 1/2	100	—	Noncallable. Each 5,000-mark bond with one warrant exercisable into shares of 295.60 yen per share and at 78.64 yen per mark.

Eurobond Investors Shun The Lure of Higher Coupons

(Continued from Page 15)

Toshiba Ceramic announced plans for a \$50-million, 15-year convertible issue that is expected to bear a coupon of around 3 percent.

In the Deutsche mark market, Daiishinpan, a consumer-credit company, joined the long list of Japanese companies issuing equity-linked paper. Daiishinpan, which carries the guarantee of Sanwa Bank, is raising 60 million DM through five-year notes carrying warrants to buy shares at an expected premium of around 24 percent. The notes are expected to carry a coupon of 3 1/2 percent.

China Reports That Reforms Boosted Economy in 1984

BEIJING — China's economic reforms boosted growth and prosperity in 1984, but also fueled inflation, the State Statistical Bureau said.

National income jumped 12 percent. Total output rose 14.5 percent, a record 1,062.7 billion yuan (380 billion), the government said.

National income is comparable with the West's measure of gross national product, a measure of the total value of goods and services.

"We are confident that we can develop our economy with a stable and high growth rate," the spokesman said. But he admitted that

long-standing problems of low energy growth, bad transportation and misplaced investment remain.

Despite a rise in living standards, some prices, especially those of food, had started rising rapidly in 1985, the spokesman said. Retail prices rose 2.8 percent in 1984 but 4 percent in the last quarter.

This partly offset rises in wages. Income of China's 800 million peasants rose 14.7 percent to the equivalent of \$120 a year while urban dwellers earned \$217 each, a 15.5-percent rise.

The government has the problem of trying to extricate itself from paying large farm subsidies.

AT&T Revitalizes Bid to Catch IBM

(Continued from Page 15)

As expected for months, "the industry's worst-kept secret," AT&T officials, trying to preserve the remnants of a surprise, are still cagey when they discuss the machine. But they have confirmed basic descriptions of it.

The heart of the 7300 is Motorola's super-fast 68010 microprocessor, not the Intel chips that make IBM line and the first AT&T machine, built by Olivetti SpA. The 00 has a high-resolution graphics screen and will come with 512,000 characters of internal memory, expandable to 2 million. The base fee will be about \$5,000.

Users will see a screen that looks like the one on Apple's Macintosh, and they can point to pictures known as icons to perform main tasks. "It's what the PC-AT could have been and it's a lot better," said Jean Yates, who heads sales at Ventures, a California consulting group.

And will the 7300 feature a built-in telephone, so that both the computer and its human users can communicate?

"Of course," Mr. Edwards says, using a broad grin. "We're the one company."

But Mr. Edwards has staked far more on the new machine than the AT&T's improved features will be. AT&T onto office desk tops, the 7300 will become the flagship machine in AT&T's efforts to establish its own operating system, Unix, in the office market.

An operating system is a computer's "traffic cop" — its most fundamental program, and one that is invisible to most users. Unix is the operating system of the 7300, Unix is particularly adept at allowing several users to share the power of a single processor — something that many personal computer users are beginning to demand.

Until now, Unix has been popular among programmers and college students working on large computers, but not among personal-computer users who rarely want to tinker with the machine's in-

Siemens Is Said To Court U.S. Medical Firm

International Herald Tribune

FRANKFURT — Siemens AG, the West German electronics group, seeks to acquire Pace Setter Systems Inc., a California-based maker of heart-pacemaker systems, industry sources say. Pace Setter has annual sales of about \$100 million.

Siemens, based in Munich, is a leader in medical engineering and is known to be interested in expanding its presence in the United States, which accounts for more than half of its medical-engineering division's sales.

In fiscal 1984, ended Sept. 30, Siemens' medical division posted revenue of 4 billion Deutsche marks (\$1.18 billion at current rates), up 10 percent from a year earlier.

Talks between Siemens and Pace Setter Systems have been going on for some time, but no formal acquisition agreement has been reached, sources said.

Siemens has been eyeing expansion in the United States. It lost out to Rockwell International Corp. in January in bidding to take over Allen-Bradley Co., a Michigan maker of factory-automation equipment. Siemens, with total sales last year of 45.8 billion DM, is thought to have bid \$1.5 billion for Allen-Bradley, against Rockwell's offer of \$1.65 billion.

E. Germany Gets Big Loan From West

(Continued from Page 15)

of-center West German government.

Before the 1983 credit, specialists said Sunday, East Germany had a severe credit squeeze after Western banks had become worried about the debt situation of the entire East bloc and, as a result, withheld credits to East Germany. This was despite the fact that East Germany had done better economically than its East bloc allies.

The turning point came with the 1983 credit engineered by Premier Franz Josef Strauss of Bavaria, a conservative whose Christian Social Union is a member of the governing coalition of Chancellor Helmut Kohl, a Christian Democrat.

Since then, East Germany has amassed "large amounts of reserves" by severe restrictions on imports and an export drive, an American economist said Sunday.

"They've good credit risk," he said, explaining the readiness of American and West European banks to step in now.

In recent years, the Leipzig fair has often been regarded as a gauge of the state of political and economic relations between the two Germanys.

Last year's spring fair was held during a campaign by the two governments to improve their ties as tension increased between the United States and the Soviet Union. An unprecedented number of West German politicians, including Mr. Strauss, vied with each other to shake Mr. Honecker's hand in Leipzig then.

Leipzig's fair last fall was overshadowed by Mr. Honecker's decision to cancel his scheduled visit to West Germany, in the face of pressure from his Soviet allies and policies against him by conservative Christian Democrats in West Germany.

But West Germany is by far the largest Western trading partner of East Germany, and officials on both sides said that the new political coolness between them would not affect their economic relations.

Economics Minister Martin Bangemann of West Germany will meet in East Berlin Monday with Mr. Honecker, and Ginter Mittag, the Politburo member in charge of the economy. Mr. Bangemann will come to Leipzig Tuesday.

In recent months, the East Germans have been talking increasingly of their desire to create closer political ties with all West European countries and not just West Germany.

Meanwhile, Foreign Minister Hans-Dietrich Genscher of West Germany has just returned from a visit to the Soviet Union, Poland and Bulgaria, where he apparently succeeded in warming Bonn's relations with Eastern Europe. These relations had been practically frozen since the Kohl government went through with its pledge to station U.S. Pershing-II missiles in the fall of 1983.

At the week-long fair, about 9,000 exhibitors from about 100 countries are represented. Scores of local officials and businessmen from West Germany are at the fair.

The United States is represented by more than 60 companies, in addition to many European subsidiaries of American companies.

The U.S. pavilion was one of those visited by Mr. Honecker Sunday morning. "We are here, and we are here to do business," he was told. Mr. Honecker smiled broadly and left after a few friendly words and wishes of success.

Leipzig has been holding fairs since the 12th century, when local princes began to give special protection to merchants bringing their wares to the city. In the 16th century, such other cities in the region as Halle, Erfurt, Meissen, and Dresden were forbidden to hold similar markets.

\$32.6-Million Loss for Fluor

Los Angeles Times Service

IRVINE, California — Fluor Corp. reported Friday a \$32.6-million loss for the first quarter of fiscal 1985, compared with a \$16.5-million profit a year earlier. The construction, engineering and natural resources concern said revenue fell 13.5 percent to \$951 million in the quarter, ended Jan. 31.

Gold Options (prices in \$/oz.)				
Price	May	Aug	Nov	
300	130.0-140.0	21.75-23.25	23.5-24.75	
200	125.0-135.0	16.0-17.50	18.0-19.00	
100	105.0-115.0	12.5-13.75	14.5-15.75	
50	100.0-110.0	12.5-13.75	14.5-15.75	
25	100.0-110.0	12.5-13.75	14.5-15.75	
10	100.0-110.0	12.5-13.75	14.5-15.75	
5	100.0-110.0	12.5-13.75	14.5-15.75	
2.5	100.0-110.0	12.5-13.75	14.5-15.75	
1.25	100.0-110.0	12.5-13.75	14.5-15.75	
0.625	100.0-110.0	12.5-13.75	14.5-15.75	

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COMPANY N.V.

Amsterdam, March 7th, 1985.

Norsk Hydro Note Plan Is Moving Euromarket

By Carl Gewirtz

International Herald Tribune

PARIS — Norsk Hydro, the Norwegian state-owned industrial and energy company, is moving the Euromarket to new ground through its plan to issue an unspecified amount of short-term notes for an unlimited duration. Need-

less to add, banks are not being asked to underwrite this undefined facility.

Rumors in the market are that Norsk Hydro aims to seek up to \$500 million. But a spokesman at Merrill Lynch, which along with Chase Manhattan has won the mandate to place the notes on a "best-efforts" basis, insisted that "there is no maximum amount."

He said that "it's a tap program," with notes to be offered in light of Norsk Hydro's needs and the market's willingness to take paper at terms that the borrower is willing to pay.

The notes will be offered with maturities ranging from one month to one year and the program will remain active for as long as Norsk Hydro wants. The reference point for the interest payments will be the London interbank bid rate.

Norsk Hydro will presumably expect to match Sweden, which has been selling short-term notes at prices ranging from 15 to 4 basis points below Libid.

The Swedish program, however, is fully underwritten — which

means that the banks (for a price) stand ready to take paper if investors seek terms that Sweden is unwilling to pay. There have been a few non-underwritten loan facilities — for St. Gobain and Elf-Aquitaine — but the amounts were relatively modest.

Whether the notes are underwritten or not is, in principle, a major

SYNDICATED LOANS

concern for investors. An underwritten facility assures note holders that the borrower will always have the cash to repay maturing paper — because the banks are obliged to take notes and the money borrowed from the banks can be used to repay investors wanting their money back.

For Norsk Hydro, St. Gobain or Elf, this is not a pressing issue because all are government-owned and no one today fears that they could face a cash crisis making it impossible to redeem maturing paper.

Nevertheless, the trend toward non-underwritten facilities brings to the fore a major difference between the highly developed U.S. commercial-paper market and the budding Euromarket equivalent.

In the United States, all issuers are rated by private credit agencies whereas on such ratings exist in Europe. (The ratings are a measure

of the issuer's ability to generate the cash needed to redeem outstanding paper.)

As the fierce competition between banks to win mandates for new business has driven borrowing charges to levels that many bankers consider absurdly low, some bankers worry that intense competition could result in a flood of non-underwritten note facilities from borrowers who do not merit such access to the market. Eliminating the underwriting saves money, up to 1/4 percent annually.

Underwritten-note facilities are currently being organized for Sears, Roebuck (\$500 million, five years), Associates Corp. of North America (\$100 million, three years), Town & Country Building Society of Western Australia (\$50 million, three years), Adelaide Steamship (\$80 million) and Neptune Orient Lines.

Unilever is rumored to be shopping for terms on a \$500-million note facility and Bangkok Bank for terms on a \$75-million facility.

Malaysia is also sounding out the market, and bankers believe that if terms are favorable, the country will seek to raise up to \$1 billion, with half the proceeds used to prepay older, more costly debt.

Greece is approaching bankers, testing reactions to terms on a \$400-million syndicated loan. The Greeks want a split margin of 1/4-

point over the London interbank offered rate, and the still unsettled question is how long a period there will be for the half-point spread. Previously, Greece paid 1/4-point over Libor to borrow.

Banks that have underwritten a \$1.6-billion credit to Coastal Corp. to finance its hostile takeover bid of American Natural Resources are currently seeking other participants in the two-year loan, which pays a split 1/4-1/2-point over Libor. Phillips Petroleum, which has just thwarted a hostile takeover, is seeking to raise a \$750-million credit.

Aumar, the Spanish highway agency, is seeking to renegotiate terms on \$240 million of existing debt, offering 1/4-point over Libor on the portion guaranteed by the government and 1/2-point over Libor on the unguaranteed portion (down sharply from 1/2-point over Libor paid previously).

The Spanish state aircraft company Construcciones Aeronauticas is in the market for an eight-year syndicated credit of 25 million European Currency Units, offering a margin of 1/4-point over the interbank rate for the first six years and 1/2-point thereafter.

ENI Chemical, a unit of the Italian state holding company, is seeking a 200-million-ECU credit, offering 1/4-point over the interbank rate for the first two years and 1/2-point over for the final six years.

Indications of Slower Economy Give Bonds a Boost

By Kenneth N. Gilpin

New York Times Service

NEW YORK — U.S. bond prices surged Friday, turning in their most impressive performance in more than a month. Trading was brisk.

The buying spree was prompted by indications that the U.S. economy may not be expanding anywhere near as rapidly as had been

U.S. CREDIT MARKETS

projected, a development that, if borne out by future events, would seem to preclude any need for further tightening in monetary policy by the Federal Reserve.

The rebound was felt across the maturity spectrum: Long-term bonds with maturities of seven years and up all rose by a point or more. And short-term interest rates fell sharply.

Traders said the market, which shrugged off news that the narrowest measure of the U.S. money supply had expanded by an unexpectedly large \$3.6 billion in the latest week, opened higher on renewed interest from retail buyers.

But the real push came a little

later, when the Labor Department reported that in February non-farm employment and the length of the average workweek both fell. That suggested that industrial production last month may have also declined, and that the economy may be growing at a much slower pace than many analysts are currently projecting.

"The employment report had an important effect on the market," said John D. Paulus, chief economist at Morgan Stanley & Co. "It is a weak report, but not as weak as it appears on the surface. Our government contacts tell us that the week the survey was taken had the worst weather-related disruptions in history. A lot of production shifts were missed, and our contacts believe this played an important role in holding the workweek and employment down."

Some traders attributed Friday's rebound to technical factors, and many said the market had been oversold. But a shift in perception about the economy's overall strength had been building, said Charles P. Smith, a vice president at T. Rowe Price Associates in Baltimore. "Over the past week, even with the market going down, there

U.S. Consumer Rates

For Week Ended March 8

Passbook Savings 5.50 %

Tax-Exempt Bonds 9.75 %

Money Market Funds 8.13 %

Bank Money Market Accounts 7.99 %

Bank Rate Investor Index 13.47 %

Home Mortgages 13.47 %

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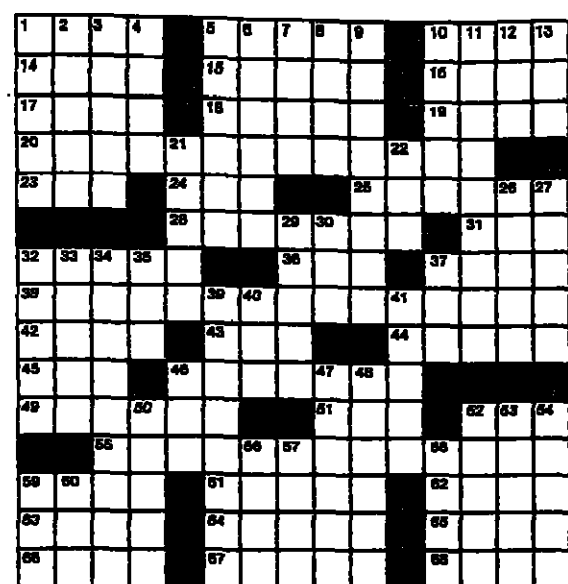
Closing Prices March 8, 1984

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Sales In	Net
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(Continued on Page 19)



ACROSS

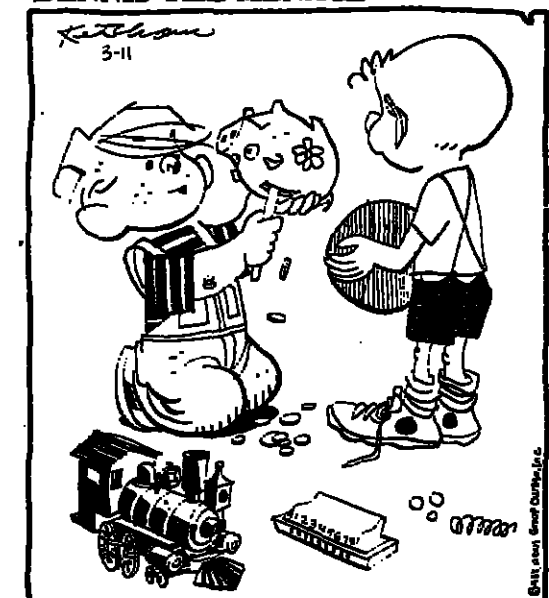
1 Competent
5 Consumer advocate
10 Peak
14 State of mind
15 Public relations concern
16 Kind of chap
17 D — David
18 King of Naples: 1800-15
19 He wrote "Sun Stop"
20 Breakfast order
21 Haggard book
22 Bulling clause
23 Ana and Claus
24 Answers
25 Genetic substance, for short
26 In progress
27 One, to Marie
28 Second breakfast
29 Soho dandy
30 Old — (London theatre)
31 "The Eve of St. —": Keats
32 Hot time in Parae
33 Dekar is its capital
34 More compact
35 Laugh, in Lyon
36 Romaine lettuce

DOWN

1 Gather
2 Painter
3 Hieronymus
4 Longest French river
5 Best or Ferber
6 "Jack, be —"
7 Charm
8 Mild oath
9 Examined again
10 Bring into agreement
11 Oblige
12 U.S.S.R. plane
13 Chemical
14 Malin's "Le —"
15 "d'Arthur"
16 Actor
17 Meister singer
18 Hans
19 Small amount
20 Spherical
21 Emulated
22 Nazimova
23 American organist-composer
24 He wrote "La Vie parisienne"
25 Switch word
26 Highly volatile fuel: Abbr.
27 Foot muscles
28 Rhone feeder
29 Flemish city
30 TV box
31 He foiled a witch
32 — camp
33 Outstanding
34 He wrote "Sally in Our Alley"
35 Hollywood award
36 Tasteless
37 Part of Q.E.D.
38 Starist
39 Shankar
40 Slow flow
41 Musical syllable
42 Actress
43 Mumsen

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DENNIS THE MENACE



"DAD SAYS HE ALWAYS HAS TOO MUCH MONTH LEFT OVER AT THE END OF HIS MONEY."

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

WORNC
DISAT
LEGBIT
TELMAD

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: A _____ OF _____

Friday's Jumble: LOOSE ELDER PERMIT TONGUE
Answer: What an inhibited person usually is — TIED UP IN "NOTS"

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	64	48	Beijing	64	48
Austria	54	38	Bombay	84	68
Bulgaria	54	38	Calcutta	84	68
Czechoslovakia	54	38	Chongqing	84	68
Denmark	54	38	Guangzhou	84	68
France	54	38	Hankow	84	68
Germany	54	38	Harbin	84	68
Greece	54	38	Heilongjiang	84	68
Italy	54	38	Jiamusi	84	68
Japan	54	38	Jiamusi	84	68
Poland	54	38	Jiamusi	84	68
Romania	54	38	Jiamusi	84	68
Soviet Union	54	38	Jiamusi	84	68
Sweden	54	38	Jiamusi	84	68
Switzerland	54	38	Jiamusi	84	68
U.S.S.R.	54	38	Jiamusi	84	68
U.K.	54	38	Jiamusi	84	68
Yugoslavia	54	38	Jiamusi	84	68

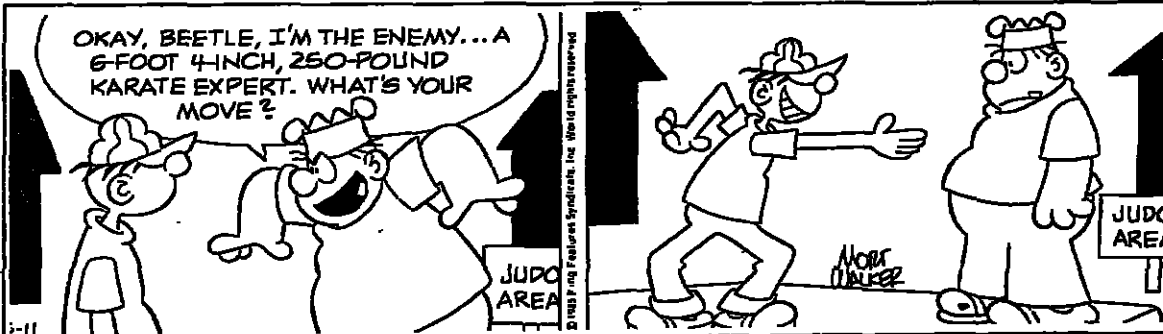
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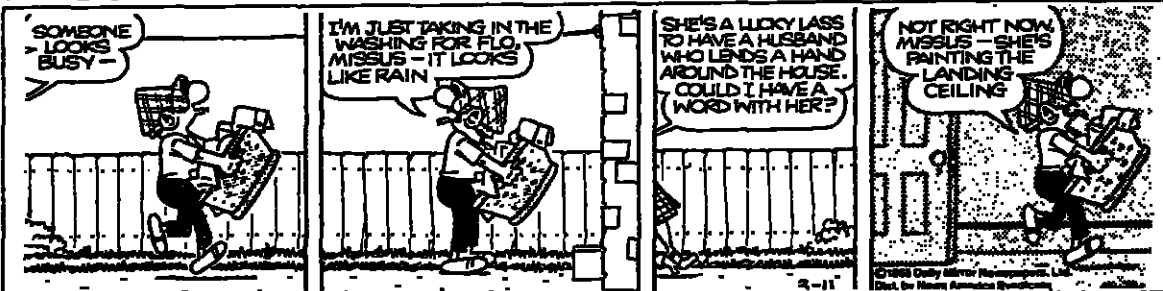
BLONDIE



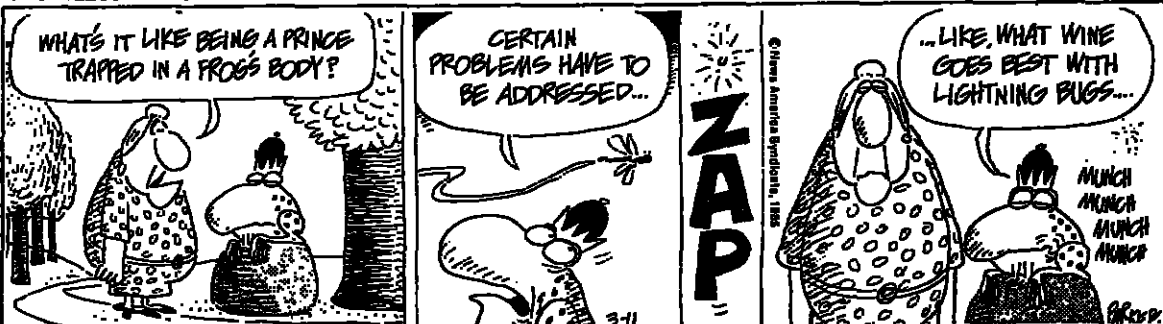
BEETLE BAILEY



ANDY CAPP



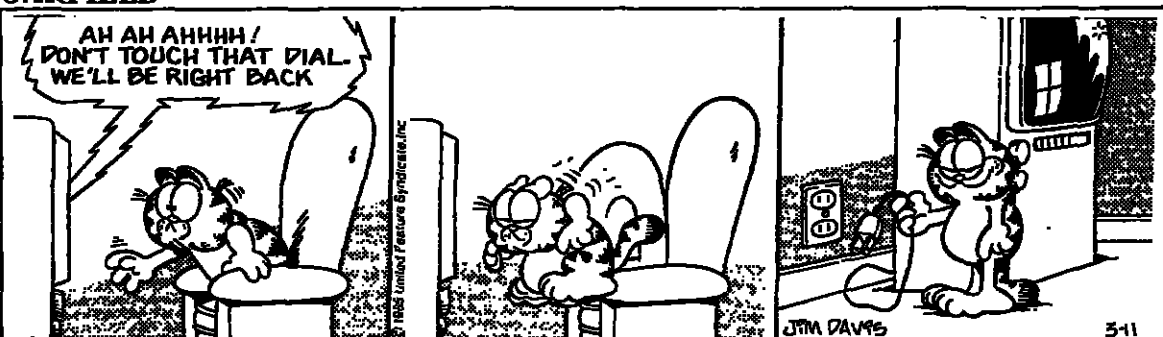
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REX MORGAN



GARFIELD



SPORTS BRIEFS

Three Indoor Bests Set at U.S. Track Meet

SYRACUSE, New York (AP) — Three world indoor bests were set here Saturday at the NCAA indoor track and field championships.

Esmeralda Garcia of Florida State twice bettered her own mark in the women's triple jump, winning at 44 feet, 4 inches (13.54 meters). She had come into the meet with a world-best 43-3/4 and improved that with a 43-7/8 before producing her winning effort.

Willie Caldwell of Baylor sped to an indoor best of 1 minute, 12.4 seconds in the men's 500-meter race, clipping two-hundredths of a second off the 1:01.36 set this year by Mike Armour of Georgia Tech.

Villanova's 3,200-meter women's relay team of Kelly Toole, Debbie Grant, Joanne Kels and Veronica McIntosh set another world best, lowering by more than six seconds the old indoor mark with a time of 8:33.60.

Agreement Reported on Sale of NFL Eagles

PHILADELPHIA (AP) — Leonard Tose, owner of the Philadelphia Eagles, said Saturday that he has reached an agreement to sell the National Football League team to Norman Braman, a Florida businessman.

A statement issued by the team in Philadelphia said: "Leonard Tose announced today that he has entered into an agreement to sell the Philadelphia Eagles football club to Norman Braman, a native Philadelphian." Braman owns a number of automobile dealerships in southern Florida.

Team spokesman Ron Howard said no other information about the agreement was available. Charles M. Golden, an attorney representing Braman, said earlier reports that Braman would pay \$65 million for 100 percent of the team "are in the ballpark." But he added: "It could have changed in subsequent drafts." Braman reportedly has no plans to move the team from Philadelphia.

Tose faces an April 1 deadline on a \$12-million loan from Crocker National Bank of San Francisco. The bank has refused to extend the loan and has threatened to foreclose on the Eagles if Tose fails to pay. Tose paid about \$16 million to acquire 99 percent of the club in 1969. Any agreement to sell the team would need approval from 21 of the 28 NFL team owners.

Zoeller, Strange Tied After 3d-Round Golf

ORLANDO, Florida (AP) — Fuzzy Zoeller birdied five of the last six holes for a 66 here Saturday, lifting him into a tie for the lead with Curtis Strange after the third round of the Bay Hill Classic.

Zoeller and Strange completed 54 holes in 308, five shots under par. Strange, the winner of last week's Honda Classic, had a third-round 68, two shots back, at 210, were Andy Bean, Andrew Magee, Larry Nelson and Tom Watson. Morris Hartsky, the first-round leader with a 66, zoomed to subsequent rounds of 75 and 73, while midway leader Paul Azinger (72, 65) had a third-round 74 for a 211 total.

Zoeller, who won the U.S. Open in a playoff last summer, twice was hospitalized with severe back problems later in the year, and in September underwent major surgery. He did not swing a club until January and returned to competition only three weeks ago.

"I played in pain so long — got so accustomed to pain — that the little aches and pains I have now, the pains of healing, don't bother me," he said. "Listen, I've been hitting the ball well. It's just the little mental errors I make. I know I'm gonna hit some bad shots, at least until I can get my mind to where I can concentrate for 18 holes."

Anderson, Tigers May Just 'Hang Around Forever'

By Dave Anderson
New York Times Service

LAKELAND, Florida — Outside the Detroit Tiger clubhouse, the World Series champions were posing for photographers. As each sat on a folding chair, he held near his belt a sheet of paper with his name on it. That way there would be no mix-up of the faces with the names, no matter how familiar and how famous the face was.

Even Manager Sparky Anderson was holding a pink sheet of paper with his name on it.

"After last year, you still need to be identified," he was asked.

Anderson, the only manager in major-league history to win the Series in both leagues, laughed at the thought that perhaps he really wasn't quite so famous after all. And then he remembered being in Anaheim, California, early last season when the Tigers were roaring to a 35-5 start that virtually ended the race in the American League East.

"We were 33-5," he recalled, "and a man came over to me and told me he was from Dayton, Ohio, and that he remembered me when I was managing the Cincinnati Reds. Then he asked me, 'What are you doing now?' I told him I was managing Detroit, and he said, 'Oh, I didn't follow the American League.'"

By now even that stranger from Dayton must be aware that Anderson deserves to be listed with the best managers in baseball history. His .580 winning percentage over the last 15 seasons ranks seventh behind Joe McCarthy, Earl Weaver, Billy Southworth, Frank Chance, John McGraw and Al Lopez. And despite his white hair, he is only 50 years old. With three World Series championships rings, Anderson has just begun to think.

When the Tigers were pounding the San Diego Padres in last year's Series, the winning manager talked wearily about staying in the dugout only five more years. But he has since reconsidered.

"What would I do if I didn't do this?" he asked. "This isn't hard. You know what's hard? All that other stuff, all those luncheons and dinners in the off-season. I did too much of that. One plane from Los Angeles to Chicago, my hand started shaking when I picked up a cup of coffee. I said to myself, 'I hope the guy next to me didn't see that.' I wouldn't touch coffee on a plane after that. At home I even practiced picking up a cup of coffee."

But when Anderson picks up the lineup card as the Tiger manager, his hand never shakes. "We can hang around forever now after what happened last year," he said.

In addition to being the only manager to win the Series with teams in both leagues, Anderson is also the only manager to guide teams to more than 100 victories in a season in both leagues. Counting the playoffs and World Series, his Tigers won 111 games last year.

"Nobody places me with Cincinnati anymore — well, maybe that guy from Dayton," he said. "I'm placed with Detroit now. The best part is I'll never be questioned again: 'Can he win somewhere else?' I went somewhere else and I won."

Now, of course, there's another question: Can Anderson and the Tigers win again this season?

"Everybody is talking about Toronto. They feel they can win the division," he said. "Good, let them have some of the pressure. They've got Bill Caudill and Gary Lavelle in their bullpen now; that has to help them. Caudill hasn't yet proven that he's a Sutter, a Fingers or a Cooney, but he's a good one. And the Yankees? That's some batting order — Henderson, Randolph, Mattingly, Winfield and Baylor. But they need another guy in the bullpen to help Righter, and they need more depth in their starters."

"Baltimore's got Fred Lynn and Lee Lacy to help Ripken and Murray, but they've lost Mike Flanagan; that hurts. I'm building up all four teams to take some of the heat off us. I read the odds in our division. We were 4-1, Toronto 5-1, the Yankees 6-1, Baltimore 8-1, and Boston 25-1. If we were allowed to bet, Boston at 25-1 is a good bet. That's a good team. They're the best hitting team in either league, but they're counting on three second-year pitchers to do it. I'm hoping they can't."

But as the defending World Series champions, the Tigers remain the team to beat in the American League East.

No matter how good the Tigers are, it's inconceivable that they will open with a 35-5 record.

"If we're 20-20 after 40 games, I won't be disappointed," Anderson said. "I just don't want to get caught in the opposite. I don't want to be 15-25, something like that, because you can't make it up in this division. This is the best division in baseball by far. Five teams in this division, if you put 'em in any other division, none of 'em would finish lower than second."

Just then Willie Hernandez, the league's most valuable player and Cy Young Award winner, trotted by. "Hey, Willie," his manager called, "just remember we're here to serve you, Willie, you're not here to serve us."

The left-handed relief pitcher laughed, but he had a quizzical look on his face.

"He's not too sure what I mean, but that's good — keep 'em thinking," Anderson said. "Nobody'll ever do what Hernandez did last year, but he won't fall off far. He's making a million now, but that's body out of line, and we won't lose Gibson when all is said and done. We got a good atmosphere. Atmosphere keeps players. Oh, money keeps 'em, but so does atmosphere and treatment."

Anderson's syntax is less confusing, but he has succeeded Casey Stengel as baseball's most entertaining manager. "And down the road," he said, "I'm not too sure I wouldn't do what Casey did — give your name at the end to help another club, like he did with the Mets after all those years with the Yankees."

But not in 1985. This year Anderson wants to show that his Tigers can win again.

THE GREAT AMERICAN POPULAR SINGERS: Their Lives, Careers & Art

By Henry Pleasants. 384 pp.
Illustrated \$19.95.
Simon and Schuster, 1230 Avenue of the Americas, New York, N.Y. 10020.

Reviewed by Michiko Kakutani

IN such books as "The Agony of Modern Music" (1955), "Death of a Musician" (1961) and "Serious Music — and All That Jazz" (1969), the critic Henry Pleasants laid out a theory of music history, regarded, at the time, by more conservative members of the critical establishment as highly nonconformist. The theory goes something like this: The European tradition of classical music has grown progressively decadent, and beginning in the early years of this century, the Afro-American idiom (of jazz, blues, soul and so on) replaced it as the source of real musical vitality.

In "Great American Popular Singers" — which profiles 22 performers, including Al Jolson, Ethel Waters, Louis Armstrong, Billie Holiday, Ella Fitzgerald, Frank Sinatra, Nat King Cole, Hank Williams, Elvis Presley, Judy Garland, B.B. King and Peggy Lee — Pleasants develops this thesis further, arguing that such artists often unwittingly reinvented the "objectives, criteria and devices of the early Italian masters of opera." Like the 17th and 18th century practitioners of bel canto, he believes, these popular singers regard songs "as a lyrical extension of speech" — that is, they emphasize clear enunciation and conversational phrasing — and to achieve this effect, they employ the same musical devices as their distinguished predecessors, including the appoggiatura, the turn, the slur and the rubato.

Two other developments, Pleasants argues, have contributed to the ascendancy of the American popular singer. One, he possesses interpretive privileges denied his classical counterpart — who has increasingly come under the domination of composer and orchestra. And two, he has been able to use the microphone to restore much of the charm, intimacy and virtuosity that was lost in classical singing, while the emphasis swung from the rhetorical to the lyrical.

Like Alex Wilder, the author of "American Popular Song" (a pioneering study of such composers as Jerome Kern, Irving Berlin, George Gershwin, Cole Porter and Harold Arlen), Pleasants is concerned with artists who

came of age during the first half of this century; in fact, in a preface to this new edition, he expresses his distaste for the latest generation of pop singers, complaining that they "are too facile, too given to bizarre costuming and lighting."

Pleasants, again like Wilder, approaches his subjects as a classically schooled musician, but in his case, this occasionally results in a certain condescending tone. For instance, Pleasants writes of Billie Holiday that she was "probably unaware, possibly even incapable of understanding, the wider implications of her influence upon the art of the singer" — and apparently the same goes for Louis Armstrong as well.

Such passages, however, are rare. For the most part, Pleasants, who contributes articles on music to the International Herald Tribune, simply uses his command of classical critical criteria to illuminate the vocal techniques of his 22 subjects. And while some of those subjects (most notably, Sinatra) are invoked primarily as illustrations of his theory, he tries hard not to become overly technical. Indeed most of his chapters give the lay reader a powerful feel for both the shape of a singer's career — Bing Crosby's slow maturation, say, or Bessie Smith's gradual slide into bitterness — and an appreciation of his or her distinctive musical gifts.

He describes Al Jolson as an orator who loved words so much that he smothered them with affection; Ray Charles, as a "master of sounds" — "slurs, glides, turns, shrieks, wails, breaks, shouts, screams and hollers, all wonderfully controlled," and Ethel Merman, as a gifted stealer of time, who "could hold a note as long as the Chase National Bank" about pop stars in recent years, some of Pleasants's observations about the dynamics of success now seem cliché — that Frank Sinatra's wistful vulnerability awakened "the mother in young girls," or that Elvis Presley's sexuality gave teen-agers a chance "to thumb their noses at a complacent society." On the careers of less famous singers, however, he can be both informative and moving. In trying to explain Bessie Smith's gradual decline, he writes: "She had come North in the wake of a migration that brought hundreds of thousands of her own people to the big industrial and cultural centers. To them she was a voice from back home, and a great voice. But to a younger generation, not rooted in the rural South, or only too anxious to forget its roots, she must have begun to seem old-fashioned."

While Pleasants's chapters on individual singers can certainly be read as separate essays, succinct and complete on their own, they also work together to form a narrative history — a history that traces the development of the Afro-American idiom, and the influence that key black and white singers exerted on one another. Beginning with Bessie Smith, Ethel Waters and Louis Armstrong — whom he identifies as the "fountainhead of all that is finest and most distinctive in American popular singing" — Pleasants goes on to show how specific styles and techniques were handed down through such assimilators as Bing Crosby; and finally, how Elvis Presley, "one small-town boy, born at the right time, in the right place, in the right environment and under the right circumstances" came to represent the convergence "of all the musical currents of America's subcultures: black and white gospel, country and western, and rhythm and blues."

Michiko Kakutani is on the staff of The New York Times.

Solution to Friday's Puzzle

PIGS	SOLAR
NARROW	BALONEY
SERVILE	OLDTIME
TVA	DOSAGES
RASP	STRUM
ADORE	EMS
PALESTRA	CRIBS
STANDSOUT	
SPEED	INDIANAN
SPAINS	ALE
COLT	FILET
ALIA	ALDORAY
DEVOTEE	ENSEILES
STEELED	DIESEL
ORRIS	SRAS

3/7/85

BRIDGE

By Alan Truscott

ON the diagrammed deal, West demonstrated creative imagination. His opponents used a forcing no-trump response en route to four hearts, and he led his singleton.

The declarer could not afford to draw trumps immediately. He won with the club queen in dummy and led a diamond to his king. West took his ace, led a spade to his partner's ace and received the club ruff.

With the trump lying favorably for the declarer it might seem that the rest would be simple. However, a diamond was returned and after discarding his spade losers South led the

heart ten to his queen. At this point West produced the jack, leaving the declarer with a problem. If the jack was an honest card, the king was still guarded in the East hand.

After some thought South misguessed by trying to enter dummy with a club lead. West ruffed and his team gained a large swing because four hearts succeeded in the reply.

There was a slight change in the declarer. If West began with a doubleton heart he would have been able to insure the defeat of the contract by forcing dummy to ruff a spade at the fifth trick.

If one must decide whether West has made a delicate error

or a tricky falsehood, the latter is the best assumption.

NORTH		EAST (D)	
♠	AK753	♠	A753
♥	QJ8	♥	KJ
♦	QJ75	♦	1063
♣	AQ9773	♣	J86
SOUTH		WEST	
♠	—	♠	—
♥	AKQ768	♥	—
♦	K42	♦	—
♣	—	♣	—

West led the club two.



Sparky Anderson
Coffee cups and syntax.

JPK 101550

SPORTS

Müller Wins Cup Downhill; Canadian Women Excel

The Associated Press
ASPEN, Colorado — Swiss veteran Peter Müller ended a three-year victory drought here Saturday by winning a World Cup downhill race in course-record time on Aspen Mountain.

Müller, 27, who posted consistently fast times in training runs here, was clocked in 1 minute,

45.74 seconds, edging teammate Karl Alpgier by 17 one-hundredths of a second and breaking his own course record of 1:46.50, set in 1982. Sepp Wildgruber of West Germany was third in 1:46.58, and Austrian Helmut Höflehner was fourth in 1:46.62.

Meanwhile, in Banff, Alberta, Laurie Graham capped one of the finest weekends ever for Canadian female downhillers by winning the final women's cup downhill of the season.

Graham, who finished third in the first of two successive downhill races Friday, started from well back

"It wasn't so perfect a run for me," said Friday of her performance on Friday, which guaranteed her enough points to clinch the cup downhill title after only three years of competition. "But I am happy."

Walliser, a five-year veteran of the cup circuit and last year's downhill champion, flew down Banff's treacherous Great Divide in 1:21.05, just a half-second ahead of Fignini's 1:21.36. "I can't cry now that I've beat Michela," Walliser said. "It was the best race of the year for me."

Müller, whose last World Cup victories came on the same course when he posted double triumphs in 1982, trailed Alpgier by three-tenths of a second through the first and second intermediate points, but caught his teammate over the final 30 seconds of his run.

"I won the race in the last four turns," said Müller. "It was snowing at the starting gate and I had a little trouble with visibility. I made a couple of mistakes on the top, but I pushed myself. I had a fantastic line through the last four turns."

"I've finished second a lot of times this year, and it feels good to win again," he said. "I had equipment problems before this year, but we've worked that out and I'm in good form now."

Alpgier, a 23-year-old member of the Swiss B team who seems certain to be elevated to the top squad based on his solid results this season, said he "caught too much air on one of the jumps near the bottom — that may have been the difference. Otherwise I skied very well, certainly better than Friday."

In Friday's final training run, Alpgier crashed and bruised his left shin.

Although Höflehner added no points to his season-leading downhill total on Saturday, he clinched the 1985 title in the discipline when his closest pursuer, Switzerland's Firmin Zurbiggen, finished 22d.

Luxembourg's Marc Girardelli, a slalom and giant slalom specialist, scored his first points of the season in downhill with a ninth-

place finish, enabling him to increase his World Cup overall standings lead over Zurbiggen.

Höflehner said he was disappointed in winning the downhill title with no better than a fourth-place finish. "I had a good feeling, and I thought I would win the race," he said. "But I was too slow on the flats on top. I lost a second

there, and you can't make that up."

Canadian Todd Brooker, who won here in 1983, finished 11th in 1:47.02. Doug Lewis was the top American, winding up 15th in 1:47.53. Teammate Bill Johnson, the Olympic gold medalist and defending champion here who has suffered through a dismal season, was 21st in 1:48.12.



McCrory Retains WBC Crown

Milton McCrory, landing a left to the head, above, retained his World Boxing Council welterweight title Saturday night in Paris with a 12-round verdict over outclassed fellow American Pedro Vilella. The judges scored it 118-112, 120-112 and 120-113 for McCrory, who raised his record to 26-0-1. Vilella lost for the first time as a pro; he has won 18 and drawn once.

Witt Keeps Ice Title

Compiled by Our Staff From Dispatches

TOKYO — Katarina Witt of East Germany came from behind here Saturday to win her second consecutive world figure skating title. Finishing second was Kira Ivanova of the Soviet Union, while American Tiffany Chin won the bronze despite a fall.

Witt, 19, the Olympic gold medalist, was third entering the final event of the six-day championships. But she produced a dazzling performance in her free-style program before a crowd of 5,700 at Yoyogi Stadium to push Ivanova into second place and Chin into third.

Witt was the only skater to break the Soviet Union's monopoly on gold medals. The Russian squad earlier had won the pairs (Elena Valova and Oleg Vasiliev), men's singles (Alexander Fadeev) and the ice dancing (Natalia Bestemianova and Andrei Bukin) categories.

The Soviet Union is only the fourth country ever to win three gold medals at a single championship.

A fourth gold was within reach Saturday, with Ivanova, 21, entering the final event in the lead.

But Witt, who said she will aim for a third straight championship next year, won near-perfect marks from the panel of nine judges. For artistic impression, she earned five 5.9s (6.0 is a perfect score).

"I'm really happy," said Witt. "I think it is the best program ever in my skating life. I'd hate to

lose when I'm already the world champion."

Witt said she knew the final competition was tight between herself, Ivanova and Chin. "All three had a chance to win, so I tried my best," said the champion.

Witt was in third place after the compulsory and remained in that position overall after winning the short program Thursday. She capped her come-from-behind performance with a routine that included four triple jumps. Witt opened with a combination triple toe-loop and a double toe-loop, followed by a triple salchow. After landing her last triple — a toe-loop — she broke into a wide smile.

Ivanova skated a fairly solid yet hardly inspiring free program, earning marks ranging from 5.7 to 5.8 for technical merit and artistic impression.

Chin, 17, skated last and said she was "generally happy" with her performance because she "didn't feel any pressure — it all went smoothly." But she admitted she was "a little disappointed" that she had slipped from a second-place ranking to third after the final event.

Anna Kondrashova of the Soviet Union was fourth and American Debi Thomas fifth, after faltering on three jumps. Then came West German Claudia Leistner, Natalia Lebedeva of the Soviet Union, Frenchwoman Agnes Cosselin and Canadian Elizabeth Manley and Cynthia Coull.

(AP, UPI)

King's Basket Beats 76ers for Knicks

Compiled by Our Staff From Dispatches

NEW YORK — The New York Knicks won their first game since the death of their star, Earl "The Goat" Monroe, by beating the Philadelphia 76ers 105-97.

Monroe, who died of a heart attack last week, had been expected to lead the Knicks to a victory over the 76ers.

National Basketball Association scoring leader Pat Riley led the Knicks with 25 points and 11 rebounds.

The Knicks missed winning in regulation and again in the first overtime. But with five seconds left, the 76ers' Andrew Toney sank a three-point basket to tie it 111-111. And with 12 seconds left in the first overtime, Maurice Cheeks sank two free throws to make it 120-120.

It appeared Philadelphia had staved off defeat again when Julius Erving tied the second overtime by making two free throws with 12 seconds left. The Knicks, knowing the 76ers would converge on King, set up Rony Sparrow to take the shot as time was running out. Sparrow missed, but King came up with the rebound in the lane and his short jumper was the game-winner. Along with his 42 points, King finished with 10 rebounds and 13 as-

sists in 52 minutes of playing time.

It was the 12th time King has topped the 40-point mark this season. "In clutch situations, I'm supposed to deliver and I usually do," he said. "It really was intense out there, wasn't it? I'll remember it for a long time."

(AP, LAT)

An exasperated Peter Müller

slipped his forehead after Friday's training run, but the next afternoon he captured his first World Cup race in three years.

(AP, LAT)

SCOREBOARD

Tennis

Davis Cup Results

WORLD GROUP

United States vs. Japan 4-1 (U.S. won)

Ken Flach and Robert Seguso, U.S., def. Shuichi Nishikawa and Shuji Ozaki, Japan, 6-3, 6-4, 6-2.

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World Cup Skiing

WOMEN'S DOWNHILL

1. Peter Müller, Switzerland, 1:45.74.

2. Karl Alpgier, Switzerland, 1:46.50.

3. Sepp Wildgruber, West Germany, 1:46.58.

4. Helmut Höflehner, Austria, 1:46.62.

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